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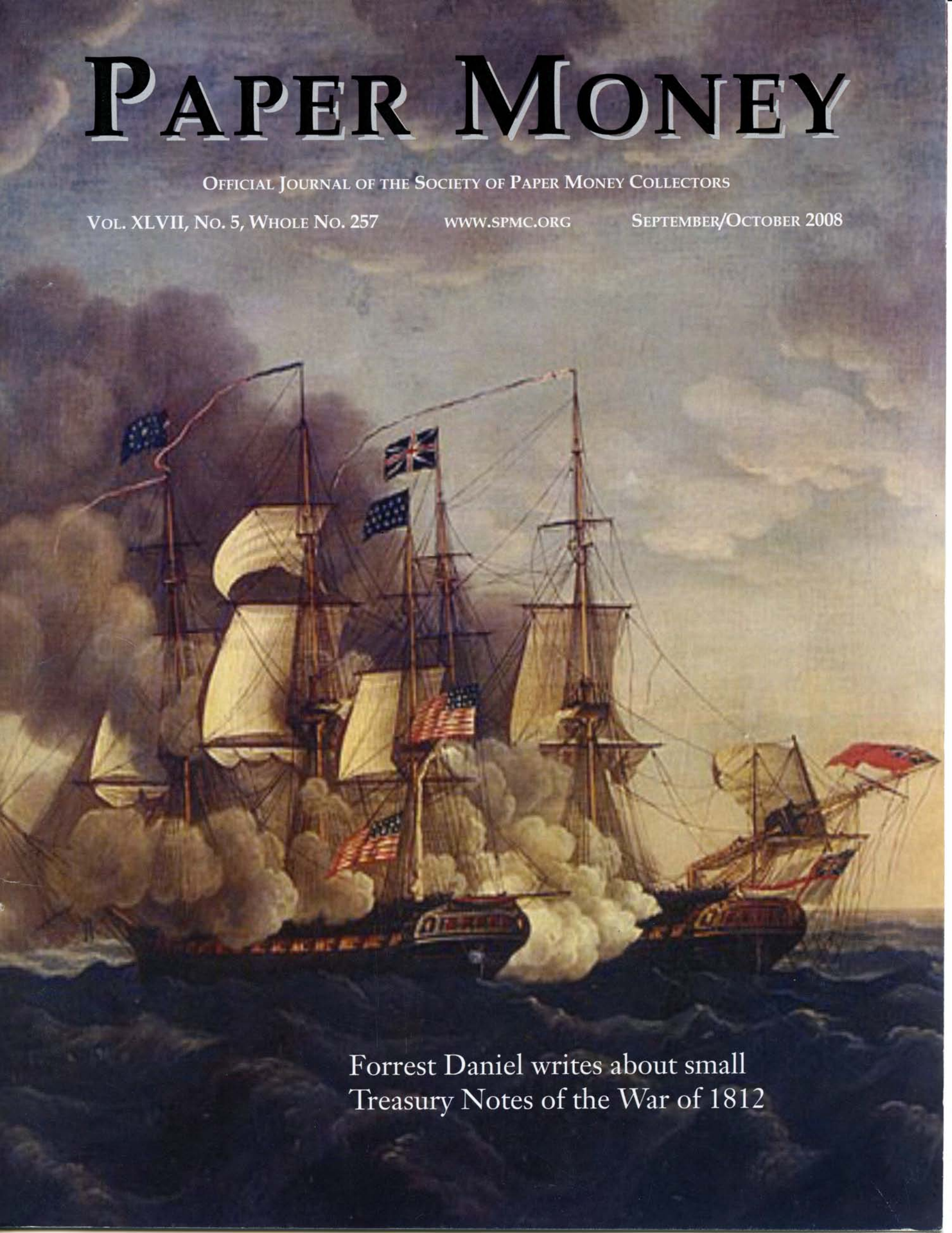

Forrest Daniel writes about small Treasury Notes of the War of 1812

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Features

Small Treasury Notes of 1815: A Prototype Circulating Currency 323
By Forrest W. Daniel
Series 2006 $5 FRN changeover stumps ye olde Editor 349
By Derek Moffitt
Forrest Daniel contributed to SPMC in many, many ways 353
By Fred Reed
New catalog for card fans 359
On This Date in Paper Money History 367, 369
By Fred Reed
Authors present new works at 5th annual SPMC authors forum 386
More photo highlights from Memphis 388
FCCB celebrates 25 years 390
Stunning Eric Newman Museum hosts CSNS symposium 392
SPMC Thanks 2008 Tom Bain Raffle Sponsors 394

Society News

Information and Officers 322
In Memoriam Thomas M. Flynn, 1929-2008 351
By John and Nancy Wilson
Death claims J. Roy Pennell, past SPMC president, publisher 357
By Fred Reed
President's Column 377
By Benny Bolin
Money Mart 377
New Members 384
SPMC 2007-2008 Donors Acknowledged 395
SPMC 2008 Award Winners Saluted 395
SPMC Board Meeting June 28, 2008 minutes 396
SPMC Treasurer's Report 397
SPMC Editor's Report 397
What's on Steve's Mind Today? 398
By Steve Whitfield
The Editor's Notebook 398

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Small Treasury Notes of 1815

A Prototype Circulating Currency Supplementing The Financing of the War of 1812*

by Forrest W. Daniel (deceased)
SPMC Charter Member #121

Foreword

The Small Treasury Notes of 1815 were the first attempt by the United States governmment to issue a circulating paper currency. Their issue came only after a desperate attempt to finance the War of 1812 by borrowing money alone. Because taxes were not levied immediately to pay off those loans, sales lagged; so to make up for the deficiencies in borrowing, one-year Treasury Notes bearing interest were issued from the time of the first Loan in 1812.

The Small Treasury Notes bearing no interest were issued in 1815, after the war was over, into a period of monetary instability. The state-chartered banks had suspended specie payments in most of the country and their bank notes were at great discount. The government was not able to withdraw its own funds deposited in those banks in money acceptable at par at any distance from the issuing bank.

The Small Treasury Notes in denominations $3, $5, $10, $20 and $50 were receivable for all dues to the Federal Government according to the text; they were payable to bearer in fact (although not so stated) and were acceptable for currency usage throughout the nation. Although not a legal tender, the Small Treasury Notes served the nation as a circulating medium of exchange for anyone willing to accept them. Public journals of the day said they were welcomed by the people and circulated at par in most of the country.

This study concentrates on the intricacies of the preparation and circulation of the Small Treasury Notes. Treasury Department correspondence has been sifted for some of the human interest quirks behind the preparation, shipping, handling and storage of the notes before they were issued to the public, as

*** Winner of 2002 SPMC George W. Wait Award**

well as disbursement to government fiscal agents. Here is some of the inside story of the Small Treasury Notes known only to officials at the Treasury Department.

But first related here is the struggle to obtain funds to finance the war effort and maintain the commerce of the nation. Many money lenders were unwilling to lend their money to the government, so many of the bonds were sold at a discount, more than doubling the cost of the war. The suspension of specie payments by the banks removed much of the value of their bank notes. Those conditions set up the need for a viable, circulating national paper money. The Small Treasury Notes were issued to fill that void.

Part I
Introduction and Background

The United States went into the War of 1812 without the power to levy any internal taxes to pay for the war. The same would be true for the Mexican War and the Civil War, as it had been for the Revolutionary War. By the time Congress did get around to levying taxes the war was nearly over, and by the time the bulk of the tax money became available the war was over. Congress believed the war could be financed through loans alone, and that was the course it attempted to follow.

Had Congress provided, from the first, for taxes to repay the loans, rather than basing them only on the faith of the nation, their sale might well have been less difficult. But as it was, there was serious opposition to the war from mercantile interests in the Northeast, represented largely by the Federalist party. The very people who were best able to provide the funds were opposed to the war. As a result the treasury was forced to sell its bonds at great discount, even to the point of offering additional annuities to the purchasers.

Ultimately the people had to pay $80,000,000 plus interest for the nearly $34,000,000 of hard money received from the loans. [1] The actual monetary cost of the war was more than doubled because of opposition to the war in Congress and out, difficulty in borrowing money, and ineptitude in the executive department, especially the treasury. Lack of a standing army and an officer corps composed only of elderly Revolutionary War veterans did not inspire a great out-pouring of national faith in the war; that did not help either. There were some major naval victories, however, which sustained national honor.

From the beginning, Congress had doubts about the success of the first loan it proposed to finance a new military and naval force. Its legislation provided for an issue of Treasury Notes to fill any deficiency in case receipts fell short of the goal. [2] Those Treasury Notes, especially the later Small Treasury Notes of low denominations, were the prototypes of later United States government paper money. Federal paper money was not issued on a permanent basis until 1861. Doubts about the stability of paper money remained from the disastrous depreciation of the Continental Currency of the Revolution and some of the state issues of the Confederation period. Those doubts were stated clearly in the Congressional debates; but Treasury Notes became an important factor in the financing of the War of 1812.

It had been clear for a number of years that war was inevitable; the question was when and with whom. The United States had come to blows with France in 1799. Later, during the presidency of Thomas Jefferson, a naval building program was enacted, but it was plagued with inefficiency and cost over-runs. Jefferson did not wish a war and made every effort to avoid it.

The Napoleonic wars in Europe brought great prosperity to American shipping interests. Neutral American commerce became the dominant force in European trade, but that prosperity brought the risk of capture by war ships of the belligerents. Those raids extended even into American coastal waters.

Depredation of American ships by the British and French forced retaliation by the United States.

An embargo of all trade with Europe in the fall of 1807 brought ruin to American commerce. With the ships held in port the government had little income from import duties and had to resort to borrowing money in 1810. The embargo was partially lifted by a non-intercourse act in 1809 which prohibited trade with Great Britain and countries under French control; it also provided for lifting restrictions on trade with those countries if they ceased violating neutral rights. The difficulties continued. American ships and cargoes were confiscated and sold by the French and the British added the impressment of sailors from American ships to serve in the British navy. By the time war was declared in 1812, the British had seized more than 900 American ships and the French more than 550. [3] When it reached the point of war, British trade restrictions and impressment of American sailors became the overt excuse and England became the enemy.

Eleven days after Congress declared war on June 18, but before the news reached England, the British government revoked the orders in council which had been the chief source of grievance to America. That action would have permitted resumption of trade between the two nations, and immediately after its passage large quantities of merchandise were shipped from England. On arrival those goods produced duty income to the United States of about $5,000,000, an unexpected windfall at the beginning of the war.

Treasury Management

All was not well at the Treasury Department and President James Madison had neither the power nor the will to place the department in capable hands. That caused a great deal of difficulty in financing the war. Secretary of the Treasury Albert Gallatin had seen the prospect of war several years before it broke out. He suggsted levying taxes to build up a defense fund, but his warning went unheeded. At the outset of the war he suggested that enough tax revenue be raised to meet the expenses of the peace-time establishment plus interest on present and future loans. The cost of the war could then be met by borrowing money. Gallatin's proposal met stiff resistance in Congress, even from his own party. General Samuel Smith, (Maryland) Democrat leader in the Senate, was strongly opposed to Gallatin. Even though Gallatin's power was nearly gone, President Madison refused to replace him. With the nation on the brink of war, Gallatin had been secretary for twelve years and he was the best man for the job.[4]

Treasury Secretary Albert Gallatin

In September 1812 Count Romanzoff suggested to John Quincy Adams, American minister at St. Petersburg, that the Emperor of Russia was willing to act as mediator to help settle the differences between the United States and England. A formal invitation came in March 1813. The United States jumped at the chance for a meeting, sending Albert Gallatin and James A. Bayard, a prominent Delaware Federalist, along with Adams to St. Petersburg before determining that any such negotiations were even possible. England declined the offer of mediation in St. Petersburg, preferring direct negotiations with the Americans later at Ghent in Belgium. [5] Negotiations finally began on August 7, 1814, but it was more than four months before agreement on a treaty was finally reached on December 14.

When Gallatin was sent to St. Petersburg early in 1813 William Jones, secretary of the navy and Philadelphia shipping merchant, was named acting secretary of the treasury; a post he held from May 1813 to January 1814. Jones' lack of qualification for the position was emphasized when he upset regular treasury procedure with his own rulings. He did, however, suggest that revenue be raised by taxation, but Jones did not press the issue, shrugged, and said Congress could do as it saw fit. [6]

Madison might have replaced Jones with a stronger personality but Gallatin did not resign the secretary's post when he went to Europe. Getting the negotiations underway took longer than expected and Gallatin finally resigned early in 1814. The man Madison believed best qualified for the treasury post, Alexander J. Dallas, a Pennsylvania lawyer and political activist familiar with the financial community and a confidant of Gallatin, could not have been confirmed at that time since both senators from his home state were opposed to him. Senator George W. Campbell of Tennessee, who had served as chairman of the House Ways and Means Committee, became secretary. Campbell, too, could not handle the job. "Jones was too ignorant, and Campbell too weak, to grasp boldly questions of finance." [7]

Treasury Secretary Alexander J. Dallas

At last, in October 1814, the senators from Pennsylvania agreed to accept A. J. Dallas as secretary of the treasury. He gave fresh impulse to the war in the few months it lasted after his appointment. [8]

Bumbling in the Treasury Department cannot be blamed for all the monetary woes during the war. In the face of impending hostilities the Democrat majority in Congress dismantled what would have been a source of funds during the war and a stabilizing influence in the post-war period--The Bank of the United States. The bank was a creation of the Federalists and had bitter enemies from the first in spite of its success.

The Bank of the United States

With the establishment of the federal government under the Constitution, Secretary of the Treasury Alexander Hamilton, a Federalist, submitted a plan for a "financial institution to develop the national resources, strengthen the national credit, aid the Treasury Department in its administration and provide a secure and sound circulating medium for the people. [9] In 1790 he sent Congress a report on a national bank There was opposition from the minority Democratic party, which held the belief that the power to create banks, or any corporate body, had not been expressly delegated by the Constitution to Congress, and therefore was not possessed by it. Democrat Thomas Jefferson said it did not fall within the implied powers of Congress since the bank would be an expedience, not a paramount necessity. Hamilton's views prevailed; the Bank of the United States was incorporated on February 25, 1791.

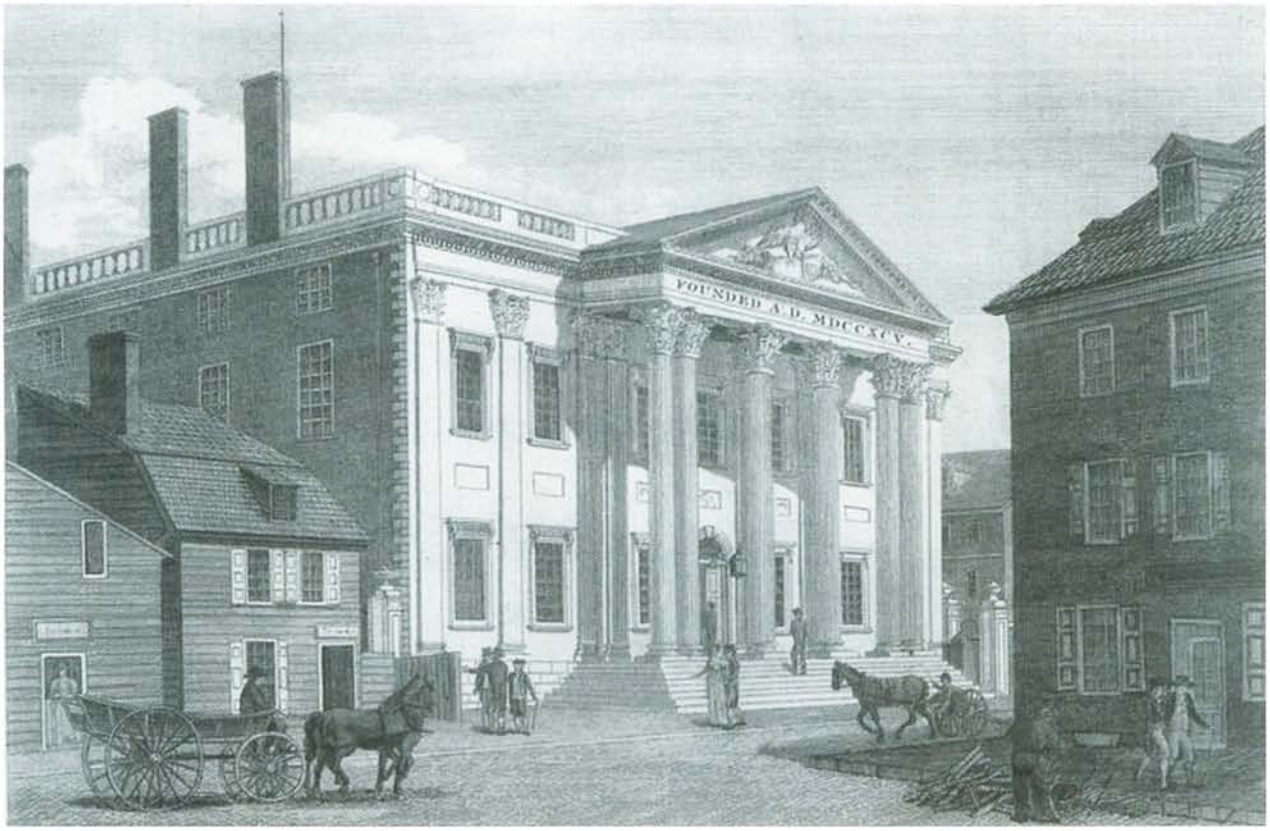
The capital stock consisted of 25,000 shares of $400 each, payable one-fourth in gold and silver and three-fourths in public securities. The government took one fifth of the shares, $2,000,000, paid in ten installments. The government's shares were sold in 1796, 1797 and 1802 at advances of 25, 20 and 45 per cent. Eighteen thousand shares of the bank's stock were held abroad and 7,000 in the United States, a point which became important when the bank was liquidated after twenty years of successful management. [10]

Albert Gallatin listed the advantages to the government provided by the bank to be:

(1) safe-keeping of the public moneys;
(2) instantaneous transmission of the public moneys anywhere in the nation;
(3) increased circulation to facilitate collection of revenue;
(4) loans to the government.

Another service to the nation provided by the bank was an issue of notes which were payable on demand in gold or silver at the bank, or at any of its branches. Notes of the Bank of the United States were receivable for all payments to the United States government. [11]

When time for the renewal of the bank's 20-year charter came near, its Democrat opponents were in control of Congress, but the prediction of dire consequences which would follow dissolution of the bank softened some of the



The Bank of the United States

opposition. Foreign ownership of a majority of stock in the bank was not the great objection to the bank that it might have been -- those shares had no vote in its management -- rather, it was the high rate of interest paid by Americans to foreign countries. The final vote not to re-charter the bank was delayed until only eleven days before the old charter was to expire. Even a grace period to wind up the bank's affairs was denied.

The liquidation of the Bank of the United States began in February 1811, and while it did cause serious economic difficulties it proceeded without the disaster which had been predicted. It was the timing of the dissolution which caused much of the difficulty. The United States was approaching war with Great Britain, a war opposed by the Federalists and commercial interests who were advocates of the bank.

It is likely the liquidation of the Bank of the United States contributed greatly to the difficulty in raising money for the anticipated deficiency loan of 1810. The loan was offered in the final quarter of 1810; had the Bank's charter not been in jeopardy, a simple borrowing would have eliminated the need for the bonds. At its suspension, the bank had to call in all of its outstanding loans. Even though the notes were short-term, pressure was placed on each of the borrowers to raise money elsewhere or face some losses. Money accumulated in such quantities that 70 per cent of the capital of the Bank was paid to stockholders by June 1, 1812, (the war began on June 18) and another 18 per cent by the first of October. That resulted in more than $7,000,000 of specie being withdrawn from the nation by foreign stockholders in the year before the war began. It also meant a loss of $15,000,000 in bank credits and a source for loans to the government. The recievability of notes of the Bank of the United States expired on March 19, 1812.

Capital payments to United States stockholders in the bank and other available money flowed into two channels, both away from government securities. In New England, where opposition to the war was strong, specie in Massachusetts banks rose from $1,706,000 in 1811 to $7,326,000 in 1814. Other capital went

into organizing local banks; 120 were chartered within four years and the first big banking boom was on. [12]

Notes for Part I

1. A. Barton Hepburn, *History of the Coinage and Currency of the United States and the Perennial Contest for Sound Money* (New York, 1903), p. 79.
2. Act of June 30, 1812. A. T. Huntington and Robert J. Mawhinney, compilers, *Laws of the United States Concerning Money, Banking, and Loans, 1778-1909* (Washington, 1910), pp. 76-78; Albert S. Bolles, *The Financial History of the United States, From 1789 to 1860* (New York, 1885), pp. 223, 224.
3. J. N. Larned, *History For Ready Reference*, Vol. 5 (Springfield, 1901), p. 3455.
4. Bolles, pp. 220-222.
5. Larned, Vol. 5, p. 3470; Donald R. Hickey, *The War of 1812, A Forgotten Conflict* (Urbana, 1989), pp. 119, 283- 284.
6. Bolles, pp. 294-296.
7. Ibid., pp. 296, 297.
8. Ibid., pp. 298, 299.
9. Larned, Vol. 3, p. 2257.
10. Ibid.
11. Ibid., 2258.
12. Ibid.

Part II
The War Loans

With the Bank of the United States, the nation's "central bank," out of existence, large shipments of gold being remitted to Europe to repay stockholders of the bank and American anti-war financiers squirreling their share of the money in their own banks, the United States set out to finance a war. The United States was without internal taxes. Since the establishment of the nation, revenue from import duties and levies on the tonnage of merchant ships had been sufficient to pay all expenses of government and make regular payments on the national debt. The embargo of 1807 cut so deeply into that revenue that the Treasury was forced to borrow $2,700,000 to pay the indebtedness due in 1810. That loan was repaid in 1811. [1]

The Act of March 2, 1811, authorized a loan of $5,000,000. [2] That borrowing is not mentioned in the standard registers of loans of the United States. It is possible the liquidation of the Bank of the United States that year removed so much money from the market there were no free funds left to be subscribed for that loan.

Occasionally more than one type of borrowing was made under a single authorization. The various loans floated during the War of 1812 will be listed. The Treasury Note issues which accompanied the annual loans will be discussed separately and in greater detail.

Six Per Cent Loan of 1812

When the House of Representatives took up the matter of annual financing in February 1812, it appeared that ordinary expenses would amount to $1,200,000 more than the estimated receipts. Since the Treasury at the time had a surplus of $3,502,305.80, the deficit could easily absorbed. It was felt, however, that the surplus should not be drawn down any farther.

It was evident that war was imminent and a bill was introduced to

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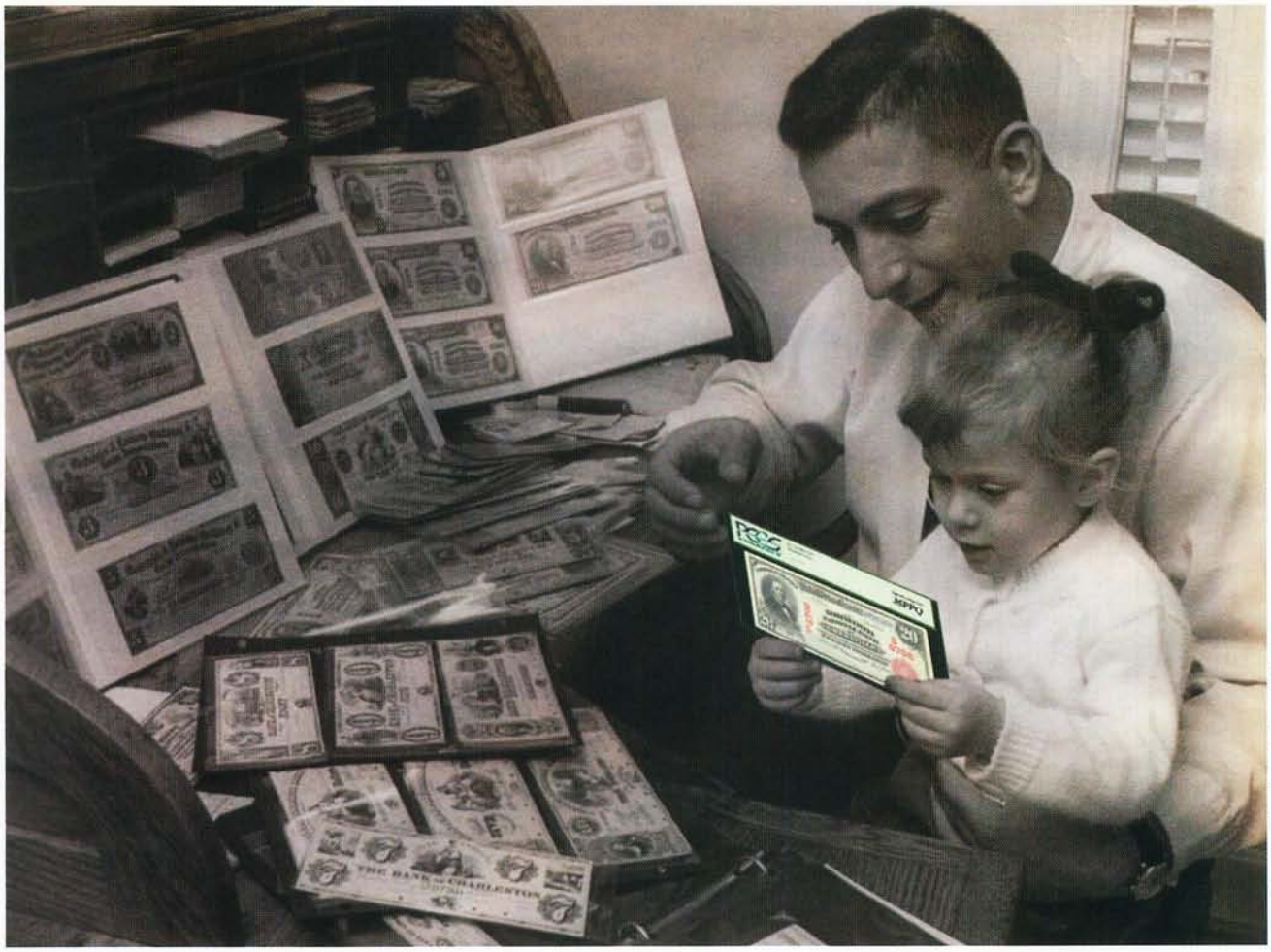

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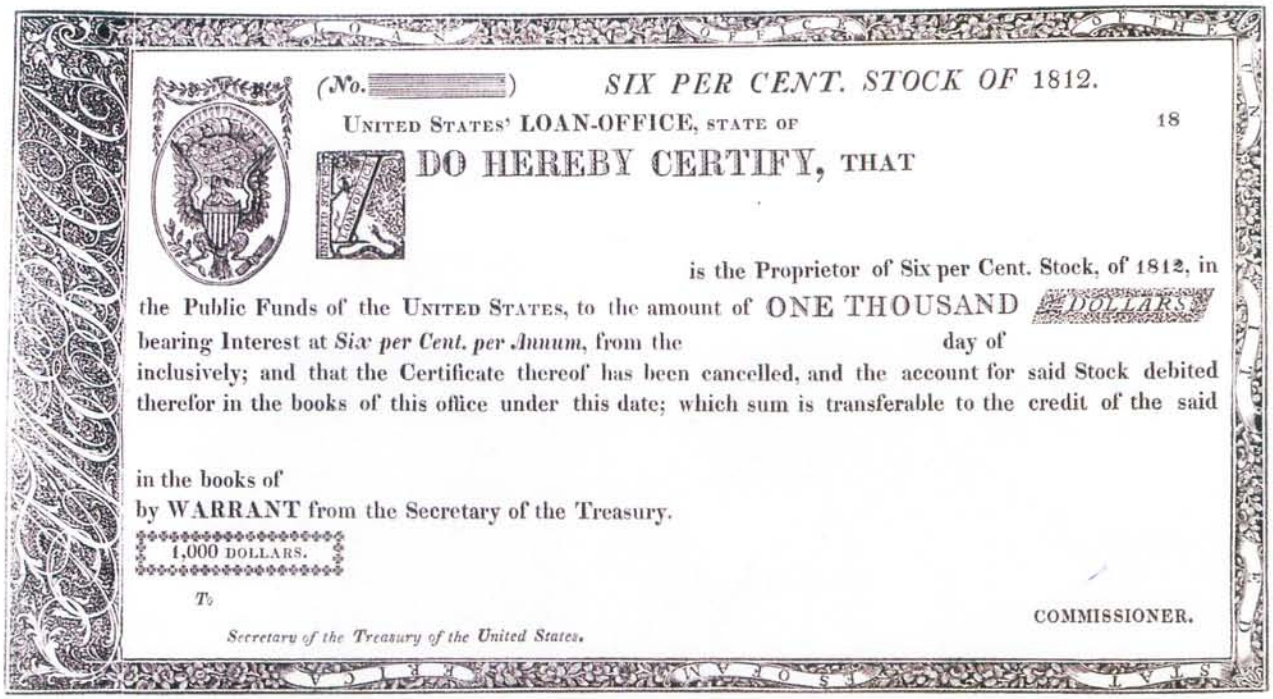
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1812 Six Per Cent Stock, Hessler X67A

increase the size of the army, to arm the militia, purchase supplies of all types to equip those men, as well as to build new ships and fortifications. The cost of those preparations was estimated at $11,000,000. A loan of that amount was authorized in March to pay those expenses. [3]

When the subscription was opened in May, the response was discouraging. The South and wealthy New Englanders took comparatively little, and support was grudging elsewhere. The Philadelphia bankers were divided in their support. A Philadelphia firm representing foreign owners of $7,000,000 capital from the disolved Bank of the United States said their principals did not want to invest in the bonds, but would be interested in helping finance a rechartered Bank of the United States, which was impossible at the time. [4]

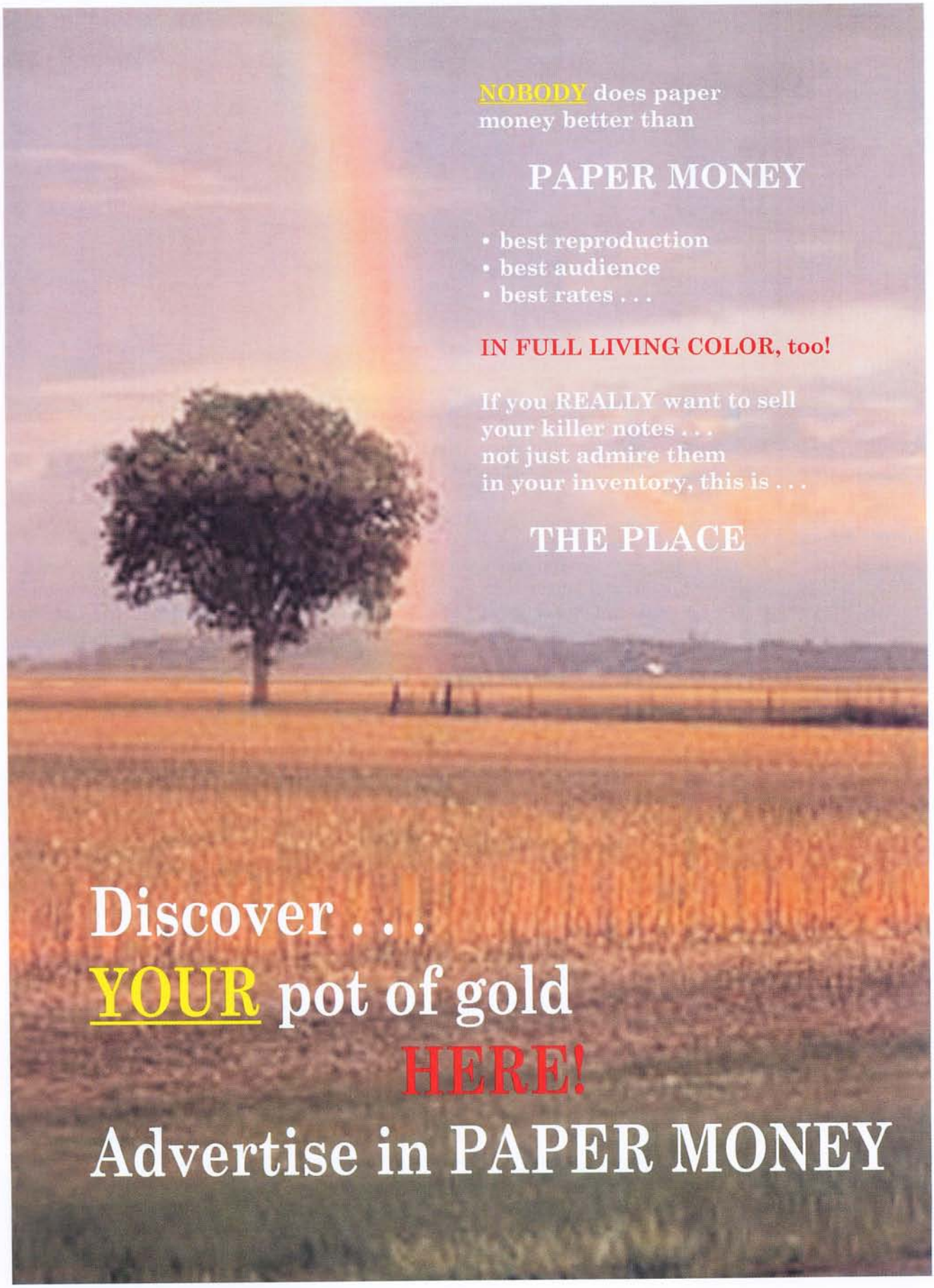
The maturity of the loan was twelve years and it was redeemable at the pleasure of the government. Interest was 6 per cent and the loan was required to be sold at par. The amount sold at those terms was only $8,134,700. Final redemption of the loan was made March 12, 1833. [5]

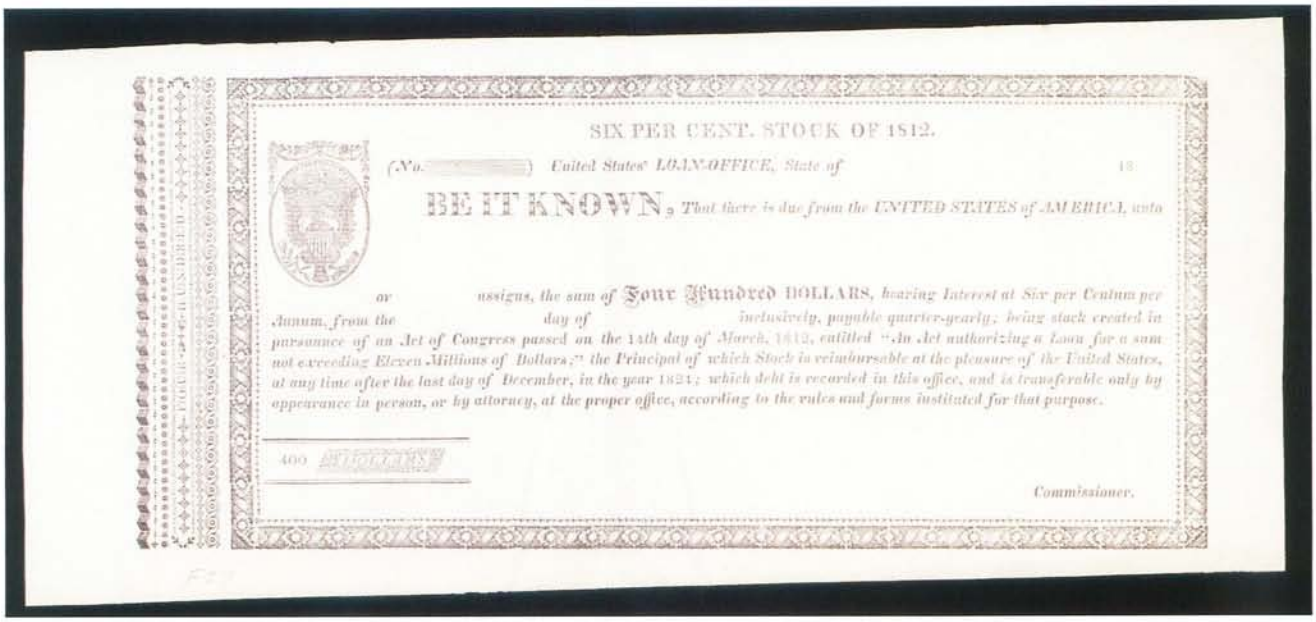
Temporary Loan of 1812

When the entire loan authorized on March 14 was not sold at the prescribed terms, the Treasury exercised its option to accept other terms. An additional $2,150,000 of the loan was sold at par, on special contract, at various maturity dates specified by the contract. The final redemption of the Temporary Loan was made on June 28, 1817. [6] An additional $5,000,000 was authorized to be raised through Treasury Notes.

Exchanged Six Per Cent Stock of 1812

The old Six Per Cent and Six Per Cent Deferred Stocks of 1790 [7] were selling at a discount of two or three per cent. It was felt the discounted price might be a deterrent to selling current stock, so another issue was authorized to replace the earlier stock. Holders of the old stock, who chose to do so, could exchange it for the new issue on the same terms as the $11,000,000 loan. No money came to the Treasury from this transaction, but redemption of the old


NOBODY does paper money better than
PAPER MONEY
• best reproduction
• best audience
• best rates . . .
IN FULL LIVING COLOR, too!
If you REALLY want to sell your killer notes . . . not just admire them in your inventory, this is . . .
THE PLACE
Discover . . .
YOUR pot of gold
HERE!
Advertise in PAPER MONEY


SIX PER CENT. STOCK OF 1812.

(No.) United States' LOAN-OFFICE, State of 18

BE IT KNOWN, That there is due from the UNITED STATES of AMERICA, unto

or assigns, the sum of Four Hundred DOLLARS, bearing Interest at Six per Centum per Annum, from the day of inclusively, payable quarter-yearly; being stock created in pursuance of an Act of Congress passed on the 14th day of March, 1812, entitled "An Act authorizing a Loan for a sum not exceeding Eleven Millions of Dollars;" the Principal of which Stock is reimbursable at the pleasure of the United States, at any time after the last day of December, in the year 1824; which debt is recorded in this office, and is transferable only by appearance in person, or by attorney, at the proper office, according to the rules and forms instituted for that purpose.

400 DOLLARS

Commissioner.

March 14, 1812 Six Percent Stock
(Heritage Auctions)

obligation was delayed until after the war. Under the act, $2,984,746.72 of the old stock was exchanged for new. [8]

Sixteen Million Loan of 1813

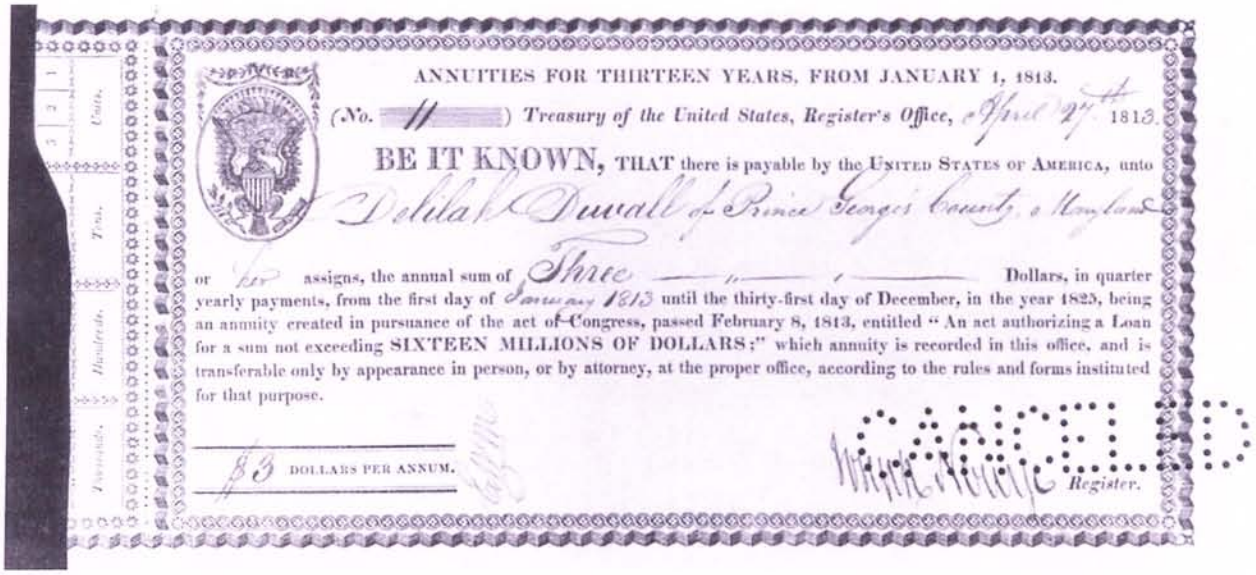
While the Loan of 1812 passed with little reported debate, that cannot be said for the 1813 loan bill which came up early in the year, passed and was signed on February 8. Congressman Abijah Bigelow (Massachusetts) stated in a long speech that he had been opposed to the declaration of war and was still opposed to it since the reason for the war had been removed (revocation of the orders in council). He also felt the invasion of Canada was both morally and politically wrong, and that the manner of raising funds and distribution of the military forces were not adequate for the object envisioned.

Bigelow lamented the loss of public credit and honor; he quoted Benjamin Franklin and others on the necessity of public credit as it was stated following the establishment of the nation. Amendments were proproposed to limit interest to be paid and the discount which might be permitted in case there was difficulty in selling the stock. Those changes were voted down and there was no restriction on interest and discounts. The loan was set at $16,000,000 and the term at a minimum of thirteen years. [9]

Secretary Gallatin was able to float less than $6,000,000 of the total at 6 per cent, but more was needed badly. Gallatin turned for assistance to Alexander Dallas, who in turn consulted David Parish, who had banking connections in Europe and Great Britain. The result was a Treasury Circular that eased the terms of the loan. [10]

There was no set price at which the stock should be sold and there was a provision for a commission to sales agents not to exceed one fourth of one per cent on the amount they sold or obtained subscriptions.

Without limit of interest or discount, the stock was offered in a lender's market. Two choices were submitted to the Treasury: That the lenders receive $100 of the 6 per cent stock for $88 of money, or that the same type of stock be sold at par plus an annuity for thirteen years of $1.50 per $100 of stock, payable quarterly. There was also a proviso that if any other stock was sold at other terms, the purchasers of the $16 Million Loan could have those terms applied to their stock if they so chose. The former terms were accepted by the Treasury. David Parish and Stephen Girard subscribed for half the loan and John Jacob


ANNUITIES FOR THIRTEEN YEARS, FROM JANUARY 1, 1813.

(No. 11) Treasury of the United States, Register's Office, April 27th 1813.

BE IT KNOWN, THAT there is payable by the UNITED STATES OF AMERICA, unto Delilah Duvall of Prince Georges County, Maryland or assigns, the annual sum of Three Dollars, in quarter yearly payments, from the first day of January 1813 until the thirty-first day of December, in the year 1825, being an annuity created in pursuance of the act of Congress, passed February 8, 1813, entitled "An act authorizing a Loan for a sum not exceeding SIXTEEN MILLIONS OF DOLLARS;" which annuity is recorded in this office, and is transferable only by appearance in person, or by attorney, at the proper office, according to the rules and forms instituted for that purpose.

$3 DOLLARS PER ANNUM.

CANCELLED

Register.

April 27, 1813 Annuity, Hessler X71B

Astor, $2,056,000. [11] Under the bill $15,468,800 was received at the discount price, while an additional $531,200 was sold at par by giving the 1 1/2 per cent annuity in addition.

Small amounts of the stock were redeemed in 1817 and 1819. Limited amounts of the Loan of 1813 were redeemed earlier than the stated period by exchange for other loans:

$23,317.82 was exchanged in 1822 for 5 per cent stock;

$2,647,301.51 in 1824 for 4 1/2 per cent stock; and

$447.465.46 in 1825 for 4 1/2 per cent stock.

Interest on the unredeemed balance ceased July 1, 1828. [12]

Seven and One-Half Million Loan

In June 1813, with the state of finances even worse than before, Acting Secretary of the Treasury Jones went to Congress for an additional loan. He reported that it was apparent the circulation of Treasury Notes was at its limit and he would prefer to delay additional issues until the earlier one-year notes were redeemed. Jones recommended new internal taxes be laid to fund the loan, but that alternative was voted down decisively. The amount of the August loan was $7,500,000.

Authorization limited the sale to not less than $88 of money for $100 of stock. The term was twelve years after January 1, 1814. The $7,500,000 of cash received required an issue of $8,498.581.95 of stock; a discount of 11.75 per cent.[13]

In 1817 the Sinking fund purchased $1,662,349.65 of the loan. Exchanges were made in 1822, 1824 and 1825 for lower-interest loans. Final redemption was August 2, 1845. [14]

Six Per Cent Loans of 1814

Early in 1814 it was estimated that the deficiency for the year would be $29,350,000. The funds raised through the discounted loans of 1813 had been dissipated by the disastrous attempt to capture Canada, while the only successes of the war were the naval victories. In addition to Treasury Notes the committee of Ways and Means reported a bill to authorize a loan of $25,000,000, the largest ever until that time. The loan was finally approved on March 24.

The term of the loan was twelve years from December 31, 1814. The

rate of interest and the amount of discount to be allowed was not limited. Money was required at any price. It was clear to the Treasury that it would be impossible to raise the entire amount, so on May 2 a loan was opened for only $10,000,000 of the amount.

Offers for the loan included $2,675,750 at less than 88 per cent, $1,183,400 at less than 85 per cent, and $9,229,056 at 88 per cent. There was a buyers' string attached, however, on $5 million of the amount offered at 88 per cent. It was offered only on the condition that should any offers be accepted at less than 88 per cent supplementary stock would be issued to bring the price of the entire loan to the same terms. The need for money was so critical that those specifications were accepted. Still the investors were reluctant to lend their money. The stock was issued at an overall discount of 20 per cent, resulting in the receipt of $7,936,581 in money for an issue of stock amounting to $9,919,476.25 bearing 6 per cent interest.

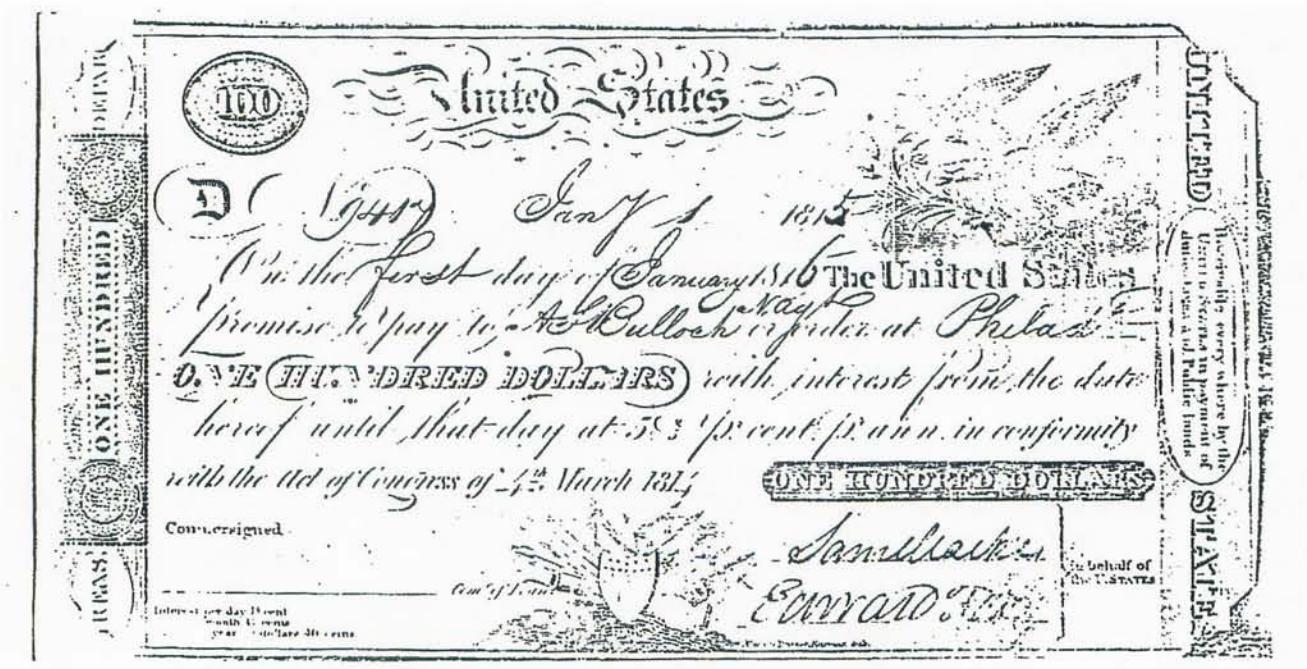
More than $1.4 million was retired by the sinking fund in 1817, some was exchanged for 5 per cent stock in 1822, and interest on the balance of $2,256,039.21 ceased on July 1, 1828. The final redemption was in 1840 with $288.98 still outstanding in 1880. [15]

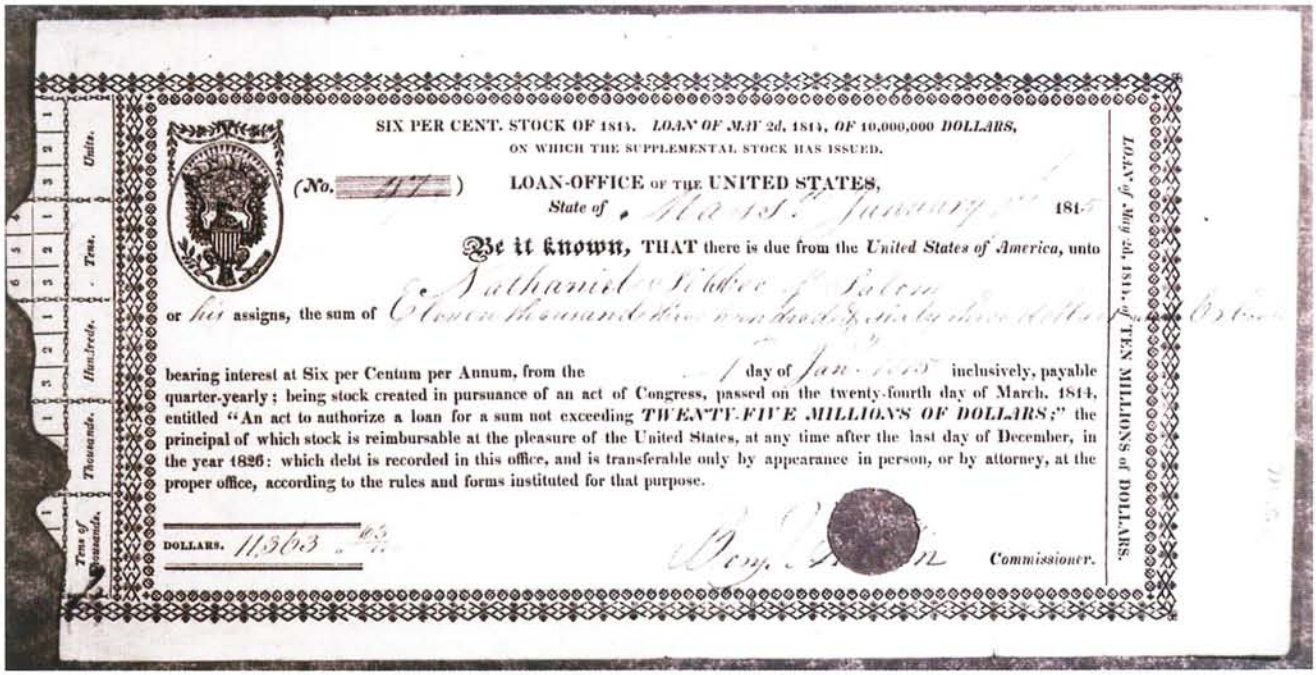
Six Million Loan of 1814

The loan received in July and August was another $6 million of the $25 million loan of March. Stock issued in this offering totaled $5,384,134.87 with six per cent interest; it was sold at 80 per cent, resulting in a discount of $1,076,826.97.

There were some buyers' restrictions on some of the subscriptions caused by the dire conditions resulting from the British invasion. Six Philadelphia banks subscribed to $250,000 specifying that the funds be used only for the defense of that city. Seven banks in Baltimore subscribed to $675,000 on the same terms for the defense of Baltimore. The corporation of New York City took $1,100,009.87 of stock on condition that the money be expended for fortifications, supplies and necessities there. The last of the stock was redeemed in 1834. [16]

March 4, 1814
$100 Treasury Note




SIX PER CENT. STOCK OF 1815. *LOAN OF MAY 2d, 1814, OF 10,000,000 DOLLARS,*
ON WHICH THE SUPPLEMENTAL STOCK HAS ISSUED.

(No. 17) LOAN-OFFICE OF THE UNITED STATES,
State of Massachusetts January 25th 1815

Be it Known, THAT there is due from the *United States of America*, unto
Nathaniel Gibbs of Salem
or *his* assigns, the sum of Eleven thousand three hundred and sixty three Dollars 63 Cents

bearing interest at Six per Centum per Annum, from the 1st day of Jan. 1815 inclusively, payable quarter-yearly; being stock created in pursuance of an act of Congress, passed on the twenty-fourth day of March, 1814, entitled "An act to authorize a loan for a sum not exceeding *TWENTY-FIVE MILLIONS OF DOLLARS*;" the principal of which stock is reimbursable at the pleasure of the United States, at any time after the last day of December, in the year 1826: which debt is recorded in this office, and is transferable only by appearance in person, or by attorney, at the proper office, according to the rules and forms instituted for that purpose.

DOLLARS. 11363 63 Dep. [illegible] Commissioner.

Units. Tens. Hundreds. Thousands. Tens of Thousands.

LOAN of May 2d, 1814, for TEN MILLIONS of DOLLARS.

January 25, 1815 Six Percent Stock, Hessler X75 (courtesy Charles Kemp)

Undesignated Loan of 1814

This was another part of the March loan act for $25 million. It was sold in the last quarter of 1814 and the first two quarters of 1815 and 1816. The loan brought from 80 to 95 per cent of face, reflecting the interest rates at the time of sale. Total receipts were $625,534.36; the discount amounted to $93,868.95, resulting in an issue of $746,403.31. Several corporations in Baltimore subscribed to $150,000 with the funds dedicated to the building of a steam frigate for the defense of that city. Last redemption of the stock was in 1834. [17]

Temporary Loan of 1814

When Congress was recalled in September the nation's finances were in a dreadful state. The $25 million loan had been unsuccessful, banks in the East were suspending payment of specie for their notes and about $4,000,000 of one-year Treasury Notes were coming due in the last quarter. Congress authorized $3,000,000 of 12-year stock with interest and price to be specified in the contract. There was a new provision: Treasury Notes were receivabvle at par plus interest for the stock. The idea was to retire the Treasury Notes by turning those immediately due into long-term obligations.

Certificates for $1,450,000 were sold at par, with interest at 7 and 6 per cent. Most of the stock was sold after the war ended in January 1815; that accounts for the lower interest. Final redemption was on September 16, 1816. [18]

Temporary Loan of 1815

The Act of February 13, 1815, called for a loan of $500,000 to repair and rebuild the "President's House, the Capitol, and other public offices" burned during the British occupation of Washington. A total of $225,000 was sold at par, interest 6 per cent. Final redemption was May 8, 1816. [19]

Subsequent Loans

Notice of the signing of a treaty of peace at Ghent on December 24, 1814, did not arrive in the United States until January. Congress was still enacting laws to raise funds in a chaotic economic atmosphere. There were still many places where current funds were needed, but the immediate pressure was somewhat alleviated.

The Direct Tax Loan of January 9, 1815, called for $6,000,000 to be repaid from a direct tax imposed by the act. The end of the war made the loan unnecessary. Only $2,000,000 was borrowed through the second quarter of 1815 and it was repaid on June 1 of the same year. [20]

The Seven Per Cent Stock of 1815 was created by the act which authorized the Small Treasury Notes. It was intended to absorb the non-interest bearing, low-value circulating notes into long term bonds. This stock is discussed more fully in the section on Small Treasury Notes. Notes were funded into this stock from 1815 to 1825; redemption ran from 1817 to 1836, with $32.52 outstanding June 30, 1880. [21]

Treasury-Note Stock of 1815 was sanctioned by the bill discussed above. One-year Treasury Notes with denominations of $100 and above normally drew 5.1 per cent interest; these became fundable into the Treasury-Note stock drawing 6 per cent. The stock is elaborated in the section on Treasury Notes. It was issued from 1815 to 1825; redemptions from 1817 to 1830, with $67.53 outstanding on June 30, 1880. [22]

The Temporary Loan of March, 1815, called for $18,542,800 to pay expenses authorized by law for which appropriations were made. Only $1,150,000 was sold at par, 6 per cent interest, term indefinite. It was repaid in 1815 and 1817.

Six Per Cent Loan of 1815; this issue came under the same act as the Temporary Loan. The term of this series was 15 years and it sold at from 95 per cent to par. The discount on the issue was $588,820.93, resulting in a return of $11,699,326.63 for $12,288,147.56 of stock. The final redemption was December 31, 1835, with $1,523.72 more redemptions than stock issued. [23]

There were many reasons for the failure to finance the war through loans alone. There was opposition to the war in Congress and the business community. There was opposition to levying taxes specifically to fund the loans, and until the last few months of the war no strong hand was at the helm of the ship of finance at the Treasury. The Treasury was forced to borrow money in a lenders' market and it more than doubled the cost of the war. As soon as the hostilities ceased money became readily available at normal rates of interest.

Notes for Part II

1. Rafael A. Bailey, *The National Loans of the United States, from July 4, 1776 to June 30, 1880* (Washington, 1882), p. 122; William F. DeKnight, *History of the Currency of the Country and of the Loans of the United States* (Washington, 1900), p. 44.
2. Huntington and Mawhinney, pp. 73, 74.
3. Bayley, p. 48.
4. Raymond Walters, Jr., *Alexander James Dallas* (Philadelphia, 1943), pp. 178, 179.
5. DeKnight, p. 45.
6. Bayley, p. 48.
7. Forrest Daniel, "United States Loan Office Certificates," *Paper Money*, Vol. 13, No. 6, 1974.
8. DeKnight, p. 46. Bayley, p. 49.

9. *Annals of the Congress of the United States*, 12th Cong., 2nd Sess., 1812-1813 (Washington, 1854), pp. 873-876; Bayley, p. 46.
10. Walters, p. 179.
11. Bolles, pp. 226, 227; DeKnight p. 46.
12. Bayley, p. 125.
13. Ibid., p. 51.
14. Ibid., p. 126.
15. Ibid., p. 52, 53; Bolles, pp. 229, 230.
16. DeKnight, pp. 48, 49; Bayley, 128.
17. Bayley, pp. 128, 129.
18. Ibid., pp. 55, 56, 130.
19. Ibid., 56, 57, 131.
20. Bayley, pp. 56; DeKnight, pp. 52, 53.
21. Bayley, pp. 132, 133; DeKnight, pp. 54.
22. DeKnight, p. 56; Bayley, p. 132.
23. DeKnight, p. 54; Bayley, pp. 135, 136.

Part III
The War Taxes

No direct tax had been levied in the United States after 1798. The embargo of 1807 drastically cut into the nation's normal revenue from import duties and ship tonnage fees; and because shippers were forbidden to carry any cargo to or from Europe, there was very little income. Treasury Secretary Gallatin proposed that Congress double all duties and levies on tonnage -- that would provide the needed funds indirectly. Then, when trade should resume, the United States would have the funds it required. All pleading for increased duties or internal revenue were rebuffed.

After the war was declared it was proposed to double the permanent duties set by law, plus an additional 10 per cent on goods imported on foreign ships, and an increase of $1.50 per ton duty on ships owned partly or wholly abroad. It was late in the legislative session so the proposal was put over to the next term. Congress did lay a small duty on iron wire, however. [1]

In 1813 Congress began to realize it would take more than loans to pay for the war and levied a direct tax and internal duties. The amount expected to be raised was $5,000,000, and the taxes, to be levied in 1814, were to continue for one year after the war. A direct tax of $3,000,000 was apportioned to the several states on a pro rata basis. [2] The tax was levied on plats of land with their improvements, houses, and slaves. The individual states were responsible for assessing, collecting and remitting the tax. A discount of 15 per cent was allowed to a state if the tax was remitted before February 10, 1814, or 10 per cent if paid by May 1. [3]

Another direct tax of $6,000,000 was levied on January 9, 1815, with similar conditions, except the 15 per cent discount was allowed for payments before May 1 and the 10 per cent discount by October 1. The direct tax of 1815 was enacted as an annual tax but it was repealed in 1816. [4]

Domestic Taxes

The domestic taxes payable in 1814 were several. A duty of four cents per pound was laid on sugar refined in the country. An annual duty was levied on carriages for conveyance of persons, graduated from $2 to $20 depending on the type. Distillers paid a duty on the capacity of their stills, the time they were used and the type of materials consumed in the stills. Retailers of wines, spirituous liquors and merchandise were licensed, the fee depending on the place of retailing

and the nature of the item sold. A duty was laid on sales at auction of 1 per cent of the purchase price of goods, or 25 cents for every $100 of the purchase price of ships. There was a duty on notes of banks and bankers; on bonds, obligations and promissory notes discounted by banks of more than $50 or having one or more endorsers. Banks were permitted to pay a fee in lieu of stamp duties. A duty of 20 cents per bushel was placed on salt into the United States. [5]

Late in 1814 Secretary Campbell recommended taxes be imposed on domestic manufactures, watches, household goods and other items. The new secretary, Dallas supported those suggestions. Congress also undertook to adjust some of the inequities in the earlier law. The stamp duty on bankers was extended to private banking operations as well as companies. The duty on carriages was adjusted so the fee would be reflected by the value of the vehicle rather than by the type of springs used. Farm and transport wagons were exempted from the levy, but harnesses were added.

An attempt to tax salaries was made and an income tax on lawyers was suggested. Both failed. Licenses of distillers and retailers were raised, as was the duty on sales at auction. Postage rates were increased 50 per cent.

New duties were levied on a large variety of manufactured goods, household goods and gold watches. [6] The tax on household furniture in use, the value in any one family (with certain exceptions) exceeding $200 in money, was graduated on a scale from $1.00 tax on $400 to $100 on a valuation of $9,000. The tax on every gold watch kept for use was $2.00, and every silver watch kept for use, $1.00. Those taxes, along with those on gold, silver and plated ware and jewelry and pastework manufactured in the United States were repealed in February 1816. [7]

The hesitation of the executive department in pressing for taxation at the outset of the war was a significant factor in the loss of credit by the government. Only after its credit was entirely destroyed did Congress realize that taxes were necessary. By the time the revenues began to reach the Treasury in substantial quantities the war was over. The tax receipts were used to make significant repayment of the war loans in 1817.

Notes to Part III

1. Bolles, pp. 251-253.
2. Ibid., pp. 253, 254.
3. Adam Seybert, *Statistical Annals: United States of America* (Philadelphia, 1818), pp. 499, 500.
4. Ibid., pp. 500, 501.
5. Bolles, pp. 254, 255.
6. Ibid., pp. 256-260.
7. Seybert, pp. 478-480.

Part IV
The Treasury Notes

The Treasury Notes issued to supplement borrowing by the Treasury were one-year promissory notes bearing 5 2/5 per cent interest. They were receivable by the government for dues, were transferrable but were not legal tender. It became, in the latter part of the war, a case either of accepting the notes or delaying payment. Treasury Notes were the nearest thing to paper money the United States government issued before 1861. Distrust of paper money went back to the Revolution and opposition to it was strong in the Constitutional Convention.

To authorize Treasury Notes in 1812, Congress had to overcome the

same objectons raised against paper money in 1787. The same arguments were used nearly fifty years later to protest the authorization of government paper money in 1861. The background will be set before going into the details of the Treasury Notes.

The Continental Congress began its issue of Continental Currency in 1775 without the power of taxation to make it good. The paper was accepted on faith until about $9,000,000 was in circulation, then it began to depreciate and the rate of depreciation accellerated. Early in 1780 its value had fallen to two cents, and before the end of the year it took ten paper dollars to make a cent's value in coin.

Continental Currency became worthless and ceased to circulate at the end of May 1781. [1] The rapidity of the fall of the currency in the final months of the war was due to an influx of gold and silver coin: Gold supplied by the French alliance to the colonies and British money spent for military wages and supplies in America which passed through the lines into American pockets. At the end of the Revolutionary War there was no shortage of specie in the nation and coin immediately replaced the paper.

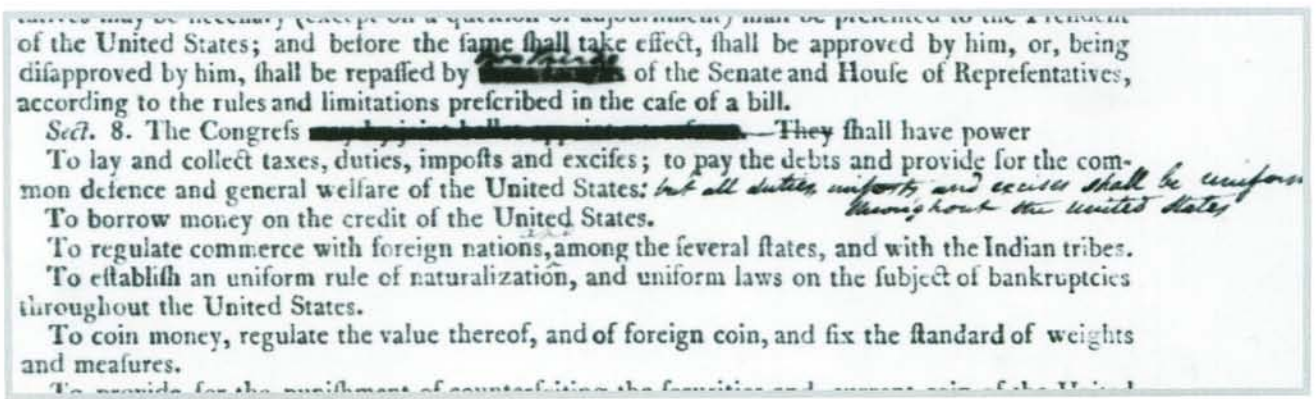
The lack of taxation to fund the paper money of the Continental Congress was protested by Pelatiah Webster; but his protest was almost alone in a period when a member of the Congress could ask aloud why he should tax the American people when they could go to the printing office and get a wagon load of money. [2] The result of that philosophy was felt for years and remembered for generations, but eventually passed into history.

The Constitutional Convention

The draft of a constitution presented to the Federal Constitutional Convention on August 6, 1787, contained in Article 7, Section 1, the powers delegated to the Legislature of the United States. One of the powers was "To borrow money, and emit bills on the credit of the United States." The convention took up the draft article-by-article and point-by-point; accepting, rejecting and changing until on August 16 it got to the issue in question.

Gouverneur Morris moved to strike out the three words "and emit bills," stating that if the United States had credit such bills would be unnecessary; and if they had no credit the bills would be unjust and useless. He felt that even without direct authorization a responsible administration would be able to use notes to good purpose without any attendant mischief. He said the moneyed class would oppose the new plan of government if paper emissions were not prohibited.

James Madison suggested it might be advisable only to prohibit making them a tender; but others thought there should be neither authorization nor prohibition. Even friends of paper money realized the adverse temper of the country toward paper money and knew its authorization would bring opposition from an influential portion of the population. Edmund Randolph (Virginia), an opponent


of the United States; and before the ſame ſhall take effect, ſhall be approved by him, or, being diſapproved by him, ſhall be repaſſed by [redacted] of the Senate and Houſe of Repreſentatives, according to the rules and limitations preſcribed in the caſe of a bill.

Sect. 8. The Congreſs [redacted] They ſhall have power

To lay and collect taxes, duties, impoſts and excifes; to pay the debts and provide for the common defence and general welfare of the United States: but all duties, impoſts and excises shall be uniform throughout the United States

To borrow money on the credit of the United States.

To regulate commerce with foreign nations, among the ſeveral ſtates, and with the Indian tribes.

To eſtabliſh an uniform rule of naturalization, and uniform laws on the ſubject of bankruptcies throughout the United States.

To coin money, regulate the value thereof, and of foreign coin, and fix the ſtandard of weights and meaſures.

George Washington's draft copy of the U.S. Constitution with marginal handwritten notes from Sept. 12, 1787. (Library of Congress)

of paper money, was not in favor of banning bills altogether because he felt the convention could not forsee all the occasions which might arise in the future.

The option to strike out authorization of bills was passed 9-Aye, 2-Nay.[3] With no mention of bills of credit in the Constitution both sides were satisfied: advocates because they were not banned, and opponents because they were not authorized. No bills of credit, the early term for paper money and treasury notes, were issued until 1812.

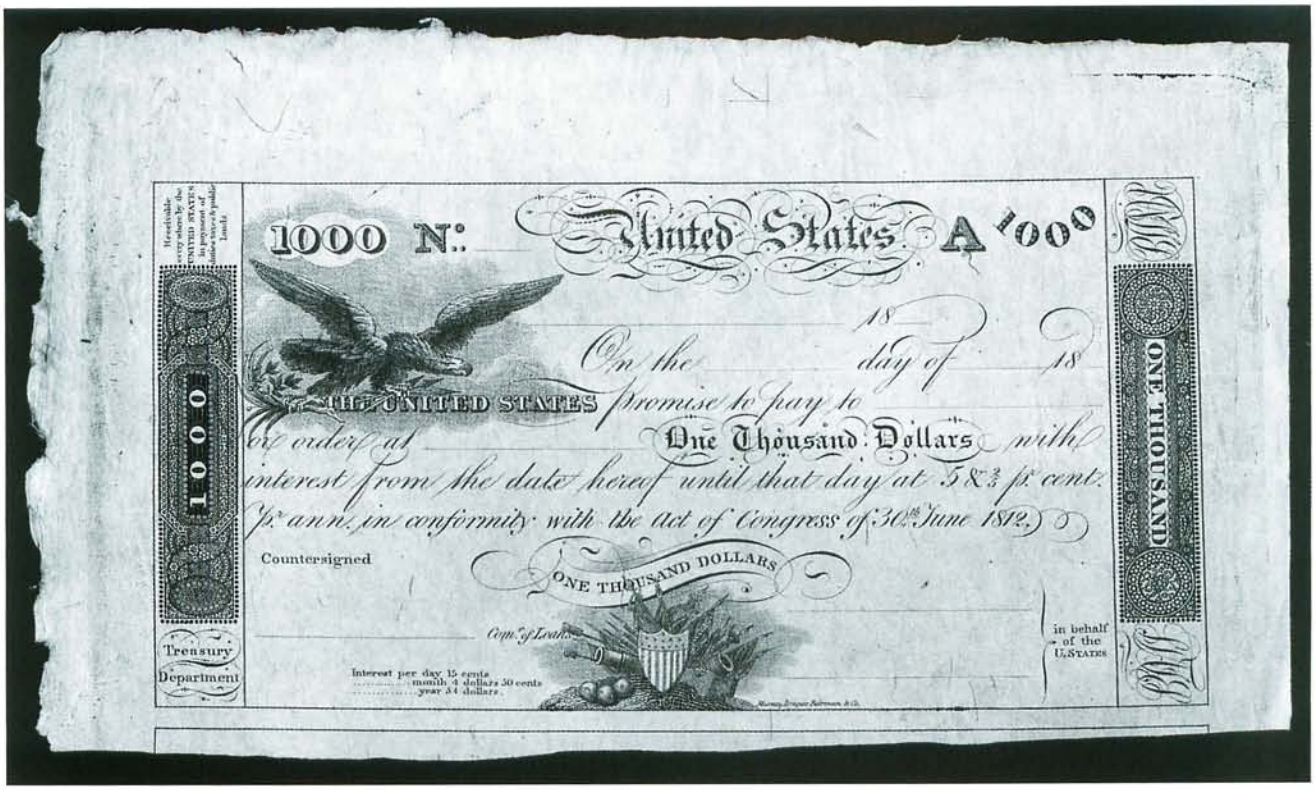
Treasury Notes of 1812

To make up for the deficiency in subscriptions to the loan of 1811 Treasury Secretary Albert Gallatin, in May 1812, submitted to Congress a proposal for an issue of Treasury Notes to supply the balance. Since the total of loan and Treasury Notes should not exceed $11,000,000 the proposed amount of notes was limited to less than $4,900,000. The notes were to bear 5 2/5 per cent interest a year -- equal to 1 1/2 cents per day on a $100 note. The notes were to be payable one year after date of issue and were to be receivable in payment of all duties, taxes or debts due to the United States. The bill based on the proposal came up for debate in the House of Representatives on June 16, just two days before the declaration of war.

Opponents of the bill objected to the interest which would accrue to the banks while the notes lay in the vaults, contending that this proved they were not equal in value to silver or gold. Congressman Alexander McKim (Maryland) answered this by stating that banks would receive the notes as they would receive notes of any responsible borrower, but rather than having the notes discounted in advance, the government would receive credit at their full value and be able immediately to draw gold or silver to their full value. This, he said, would place the treasury notes at par with gold and silver and the interest would not be payable until maturity. Banks in this case would be holding interest-bearing notes as a reserve rather than dead capital and the government would have specie available when and where required. Since the notes were receivable by the government they would have currency and the banks could pass them for gold or bank notes to customers who could use them for payments to the government, and this, considering accrued interest, would give them value greater than specie.[4]

William W. Bibb (Georgia), the next day, addressed himself to the quality of the debate, stating that the opposition to the proposal "was confined wholly to those who had equally opposed every proposition for avenging the national wrongs, and providing the necessary supplies." He said the direful predictions of consequences which would result from passage of the bill were not new; they had been made at the beginning of Jefferson's administration and repeated on every important question since:

> *At that period the people of the United States were told that virtue, morality, and religion would be driven from the land; and that all public and private confidence would be destroyed; that the Bible would be committed to the flames, and the temples dedicated to the Most High rent from their foundations. And yet, none of these things had come to pass. When it was lately attempted to adopt a system of internal taxes for the support of the Government, gentlemen on the other side of the House were violently opposed to it. They declared the people ought not, and would not, submit to it. When the loan was proposed--it was altogether wrong. An increase of the duties on imports and tonnage was advised--that would never do. Now it was desired to issue treasury notes, we are told taxes ought to be laid, and the fears of the gentleman from Pennsylvania (Mr. Milnor) are alarmed, lest the paper should depreciate and the present majority be disgraced."* [5]



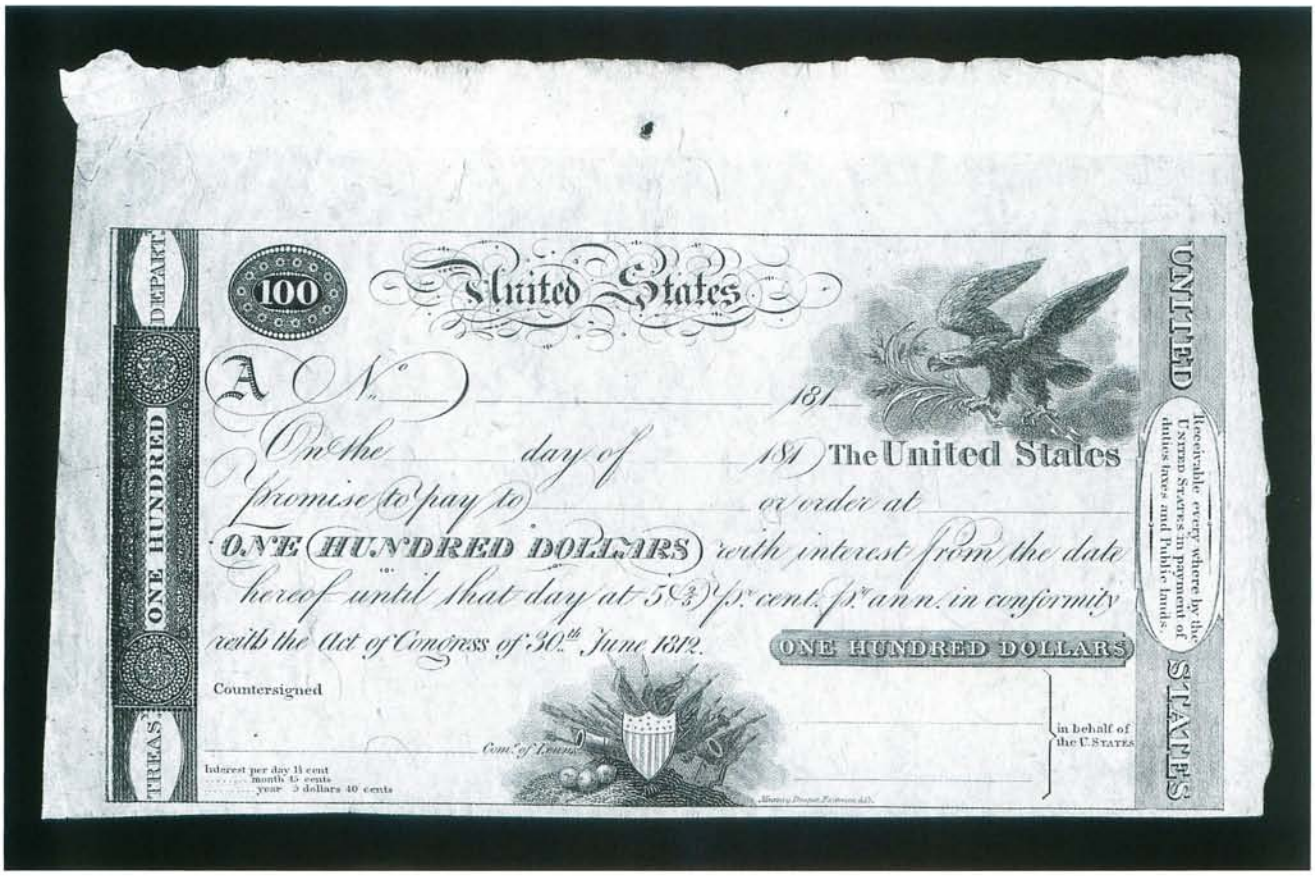
June 30, 1812 $1000
(Heritage Auctions)

To the objection that the treasury notes would be the same as the old Continental money, Bibb said the only comparison was that both were paper -- as were bank notes. The Continental notes bore no interest, entitled the holder to a sum expressed on the face without any pledge to reimburse at a given time, and it was known that Congress was unable to give any pledge to redeem them. These treasury notes were designed with safeguards to cover all those points. [6]

McKim returned to the floor for another long speech pointing out that the notes were nothing more nor less than a loan. "The government issues these notes, payable at a future day, and bearing interest; it passes them off in payment of debts, exchanges them for cash, or for necessary supplies to carry on the war. The government is thus furnished the means, by the agency of these notes, to carry on the war. But it is only borrowed; the amount of the notes issued, when the term of credit has expired, will still be owing by the government..." Redemption was assured to the holder since he could use the notes to make payments to the government or pass them to someone who could use them in that manner. [7]

One of the speakers in opposition to the bill was Thomas R. Gold (New York). His concern was for public credit; he felt the nation's revenue would not meet its expenses and the notes would depreciate. "All public loans should be a mere anticipation of revenue; the funds should be first provided, and the receipt may then be anticipated." Failure to fund Continental money had proved disastrous so the experiment should not be tried again. "I cannot sit down without adverting to the spectacle now presented to the people of the United States. After the ostentatious and proud display of the finances of the government for the last ten years, an overflowing treasury and embarassing surplusses; at the very first shock -- the first adverse wind -- the charm disolves, and all our wealth vanishes like the fabric of a vision, and leaves not a trace behind. Sixteen millions to be borrowed at the very outset, and no funds provided for repayment! But I will not dwell on the gloomy picture." [6]

Another objection came from Silas Stow (New York), "The proposed notes are made receivable for all public lands, which is, in fact, pledging these



June 30, 1812 $1000
(Heritage Auctions)

lands for the payment of this new debt or loan; whereas, they were long ago sacredly pledged for the debt created during the Revolutionary war. This appears to me to be a violation of the public faith." Stow noted the arguments that the notes would serve as a substitute for specie as bank reserves and would not depreciate; he said that while the notes might not be rated below par, supplies might be sold above par: "It is always dangerous for a government to offer anything in payment (except for a direct loan) but money." He said that even if the notes did differ from the Continental money the people at large might see a similarity and impare the credit of the nation; and, besides, if this was such a great idea why hadn't it been proposed earlier by Hamilton, Wolcott or Gallatin? He said Gallatin's earlier proposal had been different and would have assured success, but the failure of the first war loan had forced a succession of paltry expedients. [9]

Samuel L. Mitchell (New York) speaking for the bill, said that six per cent interest on the proposed loan was lower than the ordinary rate and that the lack of subscriptions to the loan was not so much a lack of available money as disinclination to lend it at those terms. Capital from the late Bank of the United States was passing into other hands and the financiers felt they could get greater return by forming new banks rather than investing in government stock.

For the individual who was saving his money for a specific purpose, such as building a house or buying a farm, Mitchell continued, the notes would be better than cash since they would draw interest while the fund was being amassed. Mitchell admitted there might be evil attendant to too free or extensive use of treasury notes, but it was the duty of Congress to control those abuses. A top limit of $5,000,000 would not let the issue get out of hand. The surplus of the sinking fund and unappropriated balances of duties on imports and tonnage (which, he said, were sure to be increased) would provide payment of the notes. [10]

When the question was put to vote, the bill passed -- yeas 85, nays 41. [11]

Summary of the Law

An Act to authorize the issuance of Treasury Notes was approved on June 30, 1812. Under it the President was authorized to have prepared, signed and issued Treasury Notes to the sum he thought expedient but not to exceed $5,000,000. The notes were to be reimbursed at such places as expressed on the face of the notes one year after the day of issue, from which day they should draw interest at the rate of 5 2/5 per cent per year, payable to the owners at the treasury, or by the proper commissioner of loans, at the places and times designated on the face of the notes for payment of principal.

Two persons were to be appointed to sign the notes, each to receive $1.25 for each hundred notes signed. In addition, each note was to be countersigned by the commisssioner of loans for the state where the notes were made payable.

The notes were to be issued in payment for supplies, or debts due to such public creditors as might choose to receive the notes in payment. In addition, the notes might be used to borrow such sums as might be expedient on the credit of the notes. Another proper issue was to banks which would receive them at par and give full credit to the Treasurer of the United States on the day of issue. The notes were to be transferrable by delivery and assignment endorsed thereon by the person to whose order it had been made payable on the face.

Wherever made payable, the notes were to be received everywhere in payment of all duties and taxes laid by the United States and for all public lands sold by its authority. On any such payment, credit was to be given for both the principal and accrued interest computed at 1.5 cents per day for every $100 of principal -- each month to be computed as containing thirty days. Each person using Treasury Notes to make payments to the government was required to give duplicate certificates of the number and respective amount of principal and interest credited for each and every note used. When a collector paid notes so received into the Treasury or to a bank holding public deposits he received credit for both principal and interest as thus computed; but he was to be charged for the interest on the notes for each day from the time he received them until they were deposited unless the depository bank should receive them as specie giving full credit for principal and accrued and due interest on the day paid into the bank to the account of the United States.

The Commissioners of the Sinking Fund were charged to pay the principal and interest of the Treasury Notes when they should fall due, and they might purchase the notes and retire them in the same manner as other evidences of the public debt. Any part of the annual appropriation of $8,000,000 to the sinking fund not needed to pay any other principal or interest due on the national debt was earmarked to pay the notes, any further deficiency was to be made up from any other funds in the treasury not otherwise appropriated. By making the Treasury Notes payable from the sinking fund the government maintained the principle (fiction?) that it was borrowing money by loan rather than issuing paper money for circulation.

Twenty thousand dollars was appropriated to defray the expense of preparing, printing, engraving, signing and other costs incident to the issuance of the notes.

The penalty provided for counterfeiting, forging, altering, passing or attempting to pass a note known to be false, or assisting in any of those activities was, upon conviction, to be imprisonment at hard labor for not less than three years nor more than ten years and a fine not to exceed $5,000. [12]

Notes of $100 and $1,000 denomination were printed under the act and $3,535,000 of the authorized $5 million were released before the end of 1812. Of that amount, $3,180,000 was sold to or contracted for by eight banks; another $355,000 was sold to indviduals from the Philadelphia and Baltimore offices. [13]

The amount actually received by the Treasury before the end of the year was $2,835,500. The notes authorized but not contracted for in 1812 were sold in 1813 -- some in each of the four quarters. [14]

The sum of $500,000 in Treasury Notes was placed in the hands of the cashier of the Bank of Pennsylvania for sale to persons or corporate bodies which might apply for them. From that amount the Bank of Pennsylvania purchased $300,000 and the Trenton Bank, $30,000. The balance of Treasury Notes taken by banks in 1812 was purchased directly at the Treasury. [15]

Treasury Notes of 1813

Plans for another outright issue of $5 million of Treasury Notes in 1813 began early in the year; the bill called for a second $5 million of Treasury Notes to be prepared in case they were needed to fill out the $16 million loan which had been authorized. The debate began on January 27.

Congressman Potter (Rhode Island) opposed the bill in a long speech: He said he knew the government wanted money and would get it at one price or another; but he thought it would be better to raise the money through the loan bill, or to create a six per cent stock which could be sold for whatever it would bring when the money was needed. He was also opposed to the treasury bills because they would create a new system of patronage. Since the bills did not draw interest at eight per cent, they would be negotiated in a manner to give the payee other advantages as an equivalent. Potter said the treasury had negotiated the notes with the favored interest to the banks where deposited; thus paying interest to the banks which were holding its money. [16]

In answer, Langdon Cheves (South Carolina) spoke to the loan bill as well as the Treaury Note bill. He said it made no difference whether the money was raised by loans or notes, the money would be deposited in the banks and they would have the use of it until the government withdrew it. Citing the advantage of treasury notes he said, "From the peculiar nature of this paper, it may be used as the exegencies of the government require, and the banks do not become purchasers until it is necessary for the exegencies of the government that the paper should be issued." [17]

Answering the argument that the interest offered was not high enough, Cheves said that the first loan of the United States had no set interest and had been taken up at rates advantageous to the government, adding that had eight per cent been offered none of the loan would have been subscribed at a smaller figure. [18]

The bill to authorize Treasury Notes for 1813 was passed in the House, 79 to 41, and dated February 25, 1813. [19] The bill was basically the same as the previous year: $5,000,000 was authorized outright, with the right to issue an additional $5,000,000 in Treasury Notes as part of the $16,000,000 loan in case it should not be taken up in the regular manner. There were, however, a few new provisions. The Register of the Treasury was authorized to issue and pay the notes in the District of Columbia, a power not given in the earlier law. The Secretary of the Treasury was authorized to appoint an agent or agents to sell any portion of the notes at a commission not exceeding one quarter of one per cent of the amount sold, and $25,000 was appropriated to pay that commission. To cover the possibility of the larger issue of notes, the appropriation for engraving, printing and signing the notes was doubled, to $40,000. [20]

Of the $6,094,500 of Treasury Notes issued in 1813, $2,164,500 were the balance of the 1812 authorization and $3,930,000 were pursuant to the Act of February 25, 1813. Fifteen banks were credited with receiving the proceeds of these sales. The notes issued during 1812 were paid off in 1813. [21]

In a Treasury Department report dated January 8, 1814, Acting Secretary Jones wrote:

> *Although the interest paid on treasury notes is considerably less than that paid for moneys obtained by United States on funded stock, yet the certainty of their reimbursement at the end of one year, and the facilities they afford for remittances, and other commercial operations, have obtained for them a currency which leaves little reason to doubt that they may be extended considerably beyond the sum of five millions of dollars, hitherto authorized to be annually issued. It will perhaps be eligible to leave to the Executive, as was done last year, a discretion as to the amount to be [issued] . . .* [22]

The appropriation for printing and signing was reduced to $20,000. [23]

With the notes provided for, Congress took further notice of their value in prosecuting the war. On April 4, Joseph Desha (Kentucky) offered the following resolution:

> *Resolved, That the Committee of Ways and Means be instructed to inquire into the expediency of authorizing the President of the United States to cause to be issued, if he deems it necessary, any amount of treasury notes, not exceeding fifteen millions of dollars, in sums not less than ten nor more than one thousand dollars, bearing an interest of six per centum per annum, payable quarter yearly, except the first year, and at the end of the year, redeemable in five years; and also into the expediency of laying duties on watches, gold seals, plate, boots and fine hats, to discharge the interest on said notes.* [24]

Several members spoke in favor of the resolution with suggestions that several other items be added to the list of goods to be taxed to retire the notes. Those suggestions were voted down. Mr. Eppes (Virginia), speaking for the Ways and Means Committee, said the committee welcomed suggestions for future taxation, but that since certain taxes were now in effect it would be better not to change them. [25]

On the subject of Treasury Notes, Eppes said that a sufficient quantity for the present year had already been authorized. He had no wish to see paper money introduced as a general system; and that when the pecuniary wants of the government could not be provided without establishing a paper money, he was for reducing the wants. He did not believe Treasury Notes could be circulated at an amount greater than the annual revenue, which he estimated at something more than $8,000,000. "The amount of Treasury Notes beyond our revenue must be in the nature of paper money, representing nothing, and possessing only a nominal value." He said they must depreciate when there was no known fund to redeem them. [26]

Mr. Desha said he had not expected his resolution to receive such warm opposition. He saw no difficulty in issuing notes since the tax on "several articles of extravagance and luxury" would pay the interest and provision for paying the notes could be delayed for five years. He said he viewed paper money as a great evil; "but what difference was there between that and bank paper?" [27]

Mr. Fisk of New York opposed sending the proposal to committee for inquiry because it might give the impression that the House felt it might be necessary to add $15 million to the amount of Treasury Notes already authorized. The resolution was soundly defeated: yeas 38, nays 108. [28]

When Congress adjourned in the spring of 1814 everything semed to be in about the state of affairs which had been maintained throughout the war. The war had been conducted on loans supplemented by Treasury Notes the first two years, but internal taxes imposed at the beginning of the year were starting to fill the need for additional funds.

The first phase of the Treasury Notes of 1812-1815 was over. The nation's fiscal situation changed materially during the summer.

The 1814 Credit Collapse

William M. Gouge, in his *Short History of Paper Money and Banking* (1833), says that the loans of 1812 were taken up at par; during the next year the government issued a certificate of stock for $113 for every $100 received; and in 1814 stock was issued at the rate of $125 for every $100 of specie paid in. Gouge, after commenting on the increasing volume of Treasury Notes being issued, noted that since a large part of the government's income was paid in the notes "the reader can judge of the condition of the government." [29]

The shortage of specie indicated by Gouge was more than made up in the market place by an increase in questionable bank paper. All bank notes were being discounted; and the government began to accept payment only in notes of banks which held deposits of public money. Banks in the District of Maine suspended specie payment when the British army occupied some of its costal area. In July scattered banks in the interior suspended, and others quickly followed suit, except in New England where bank charters imposed heavy penalties on banks which refused to pay their notes in specie.

When the British threatened Baltimore and burned Washington in August, the Eastern banks suspended specie payment and as a result the government was unable to reclaim any of the specie it had on deposit in those banks. The situation was critical. Negotiation for a treaty of peace began in Ghent, Belgium, on August 7. Congress was called into special session in September.

The fiscal problems of the nation fell heavily on Congress. Secretary of the Treasury G. W. Campbell sent up a report of the State of the Finances, dated September 23, 1814. His report gives greater detail than the summary by Gouge. Stating that he felt the Treasury would be unable to receive the entire loan of $25 million authorized on March 24 at favorable rates, only $10 million was asked at the first tender in April. Of that sum $9,229,056 was offered at 88 per cent or better rates; smaller sums were offered at rates less than 88 and less than 85. On August 22 proposals were asked for another $6 million loan; of the $2,823,300 offered $100,000 was at rates less than 80 per cent, $2,213,000 at $80 in money for $100 of 6 per cent stock and $510,300 at rates from 80 to 88 per cent. No better rates being available, the Treasury accepted the proposals.

Nearly $8 million of Treasury Notes were in circulation at the time of the report with more than half of them to fall due in the final quarter of the year. Campbell felt part of the amount might be replaced by new notes, but in the end the repayment fell behind for lack of funds. [30]

In December two installments of $250,000 fell due to the State Bank, Boston, and were not paid, "it having been impractical in consequence of the general suspension of payments in specie, by the banks, to transfer the amount from those banks in which the moneys of the Treasury were deposited, to Boston, where the payment was to be made, and equally impractical to obtain the money [at a premium] on the spot for that purpose." Earlier, dividends on the public debt had been suspended in Boston on October 1 when the State Bank declined to pay, in coin or bank notes, a draft payable to the Commissioner of Loans and drawn on government funds deposited in the bank; and the creditors refused to accept Treasury Notes. It was ordered that interest on the unpaid notes continue until such time as money was assigned for their payment, and notice given. [31]

The new secretary of the treasury, A. J. Dallas, blamed the inability of the government to pay its bills almost solely on the inability of the Treasury to transfer its funds to places where it was needed because of the banks' suspension of payment in specie. He scorned the banks for their lack of cooperation with

the government and asked their suggestions for resumption in a circular letter:

Treasury Department,
Nov. 25, 1814

Sir:

The sudden determination of most of the banks, in which the deposites (sic) of public money were made, to refuse the payment of their notes and of drafts upon them, in specie, deprived the Government of the use of its gold and silver, without any act or assent on the part of the Treasury. The equally sudden determination of the banks of each State to refuse credit and circulation to the [bank] notes issued in other States, deprived the Government, without its participation, of the only means that were possessed for transferring its funds from the places in which they lay inactive to the places in which they were wanted, for the payment of the dividends on the funded debt, and the discharge of Treasury Notes. It was the inevitable result of these transactions, that the bank credits of the Government should be soon exhausted in Boston, New York, Philadelphia, &c., where the principal loan offices for the payment of the public debt were established; and that the Government should be unable to satisfy its engagements in those cities, unless the public creditors would receive drafts on banks in other States, or would subscribe the amount of their claims to a public loan, or would accept payment in Treasury notes. It was not unreasonable, indeed, to hope that the banks, whose conduct had produced the existing embarrassment, would cheerfully afford some alleviating accommodation to the Government; but every attempt to realize that hope has hitherto failed. Even, however, if the present application should also be unsuccessful, I think I may rely on the intelligence and candor of our fellow citizens to vindicate the Government from any reproach, for the want of good faith, or of essential resources to maintain the public credit. The events which have occurred the Government could neither avert nor control.

Under these circumstances, I have deemed it a duty to the public, and to myself, to request the attention of the banks, which have acted as agents of the Treasury in the receipt and distribution of public money, to the following propositions:

1. That the banks shall assist the Government with the means of discharging the Treasury notes, and paying the dividends of public debt during the present quarter, at the loan office in their respective States. A great portion, both of the Treasury notes and public debt, belongs to the banks respectively; and, so far, nothing more than a protracted credit will be required. The balance of the demand will be payable, of course, in the notes of the respective banks.

2. That, to secure and satisfy the advances thus to be made by the banks respectively, the banks shall be admitted, on reasonable terms, to subscribe to the loan of three millions of dollars; or they shall receive Treasury notes, or they shall receive bank notes, or drafts upon banks in other States. If any bank should prefer accommodating the Treasury with a temporary loan, on a legal interest, this course may be pursued.

I will thank you, sir, for an early answer to this proposition, and, if it should be accepted, I will immediately make the necessary arrangements to carry it into effect.

I have the honor to be, &c. A. J. DALLAS. [32]

In presenting his estimate of the revenue and expenditures for the quarter beginning October 1, Secretary Dallas stated that had not the banks suspended payment the Treasury might have realized $2,500,000 from an issue of Treasury Notes, and gave an estimated surplus of $2,431,805.20. This item is

especially interesting since it suggests the issue of Treasury Notes was not, to that time, excessive. [33]

In response to a request of the Ways and Means Committee, Dallas prepared a report on the public credit dated October 17, 1814, which contained the assessment of the monetary condition:

> *The condition of the circulating medium of the country, presents another copious source of mischief and embarrassment. The recent exportations of specie have considerably diminished the fund of gold and silver coin; and another considerable portion of that fund has been drawn, by the timid and the wary, from the use of the committee, into the private coffers of individuals. On the other hand, the multiplication of banks in the several States has so increased the quantity of paper currency, that it would be difficult to calculate its amount; and still more difficult to ascertain its value, with reference to the capital on which it has been issued. But the benefit of even this paper currency is in a great measure lost, as the suspension of payments in specie, at most of the banks, has suddenly broken the chain of accommodation that previously extended the credit and circulation of the notes which were emitted in one State into every State of the Union. It may, in general, be affirmed, therefore, that there exists, at this time, no adequate circulating medium, common to the citizens of the United States. The moneyed transactions of private life are at a stand; and the fiscal operations of the Government, labor with extreme inconvenience. It is impossible that such a state of things should be long endured; but, let it be fairly added, that, with legislative aid, it is not necessary that the endurance should be long. Under favorable circumstances, and to a limited extent, an emission of treasury notes would, probably, afford relief; but treasury notes are an expensive and precarious substitute, either for coin or for bank notes, charged as they are with a growing interest, productive of no countervailing profit or emolument, and exposed to every breath of popular prejudice or alarm.* [34]

In December the Ways and Means Committee asked Dallas about the propriety of providing by law for the payment of claims in government stock or Treasury Notes. The secretary answered that he could see no advantage, and it might even be injurious to the public credit.

> *Every creditor is entitled to be paid, according to the terms of his contract; and, as to the medium of payment, the truth is, that every creditor must accept whatever the treasury is able to offer. It is known there is no gold and silver, and that bank notes are of limited circulation, while the Government bank credits are of limited amount. Stock and treasury notes are, to be announced in an act of the Congress.* [35]

The Bank of Chillicothe Affair

The disordered state of bank note circulation caused by suspension of specie payments brought a demand in Congress for a law to provide that any kind of money paid out by the government to the troops in the service of the United States, for military service, should be received from the people in payment of taxes. Before taking any action on the demand, the Ways and Means Committee asked for a statement from the Treasury Department and Secretary Dallas reported the result of his investigation.

When the secretary of the treasury needed money to pay the militia who marched from Tennessee against the Creek Indians, he obtained a loan, in bank notes, from the Bank of Chillicothe, in Ohio. Later some of those notes were offered in payment of taxes to collectors in Tennessee; but since the banks

Series 2006 $5 FRN changeover stumps ye olde Editor

Mr. Reed,

You've probably gotten forty other emails about this already, but just in case . . . The non-colorized Series 2006 $5 FRNs are not a collector-only issue, as your article in the July/August issue of *Paper Money* indicated. Some 400 million of these notes were printed between May and October 2007, and can now be found in circulation. Indeed, that total makes them nearly as common as the Kodachrome Series 2006 $5s so far (about 600 million printed, through May 2008), though of course the latter are still in production.

We'll have to keep our eyes open for the Kodachrome $100 FRNs to make their first appearance in the upcoming months' BEP production reports. There's a possibility that they'll also get the 2006 series date, even though Series 2006 $100s of the non-colorized design are already circulating. Or they might be given a new series designation instead; as your article noted, the BEP isn't known for its consistency about these things.

Hope this helps! *-- Derek Moffitt*

Editor's Note: Thanks Derek for setting the record straight. I regret my mistake and commend readers like you and Dwight Brown for setting me back on the right path. I misinterpreted the information I had available. About the time I got your email, I also received the non-colorized note shown in circulation, with a regular serial number. The reason for the changeover, we know, was the use by counterfeiters of the non-colorized $5s to produce fakes of larger denominations since security features for the bills were in similar places.

Those 400 million old style notes are still tempting the koniackers evidently. Just this morning I got a second email from Dwight Brown attaching a news report out of Tampa, FL: "The U.S. Secret Service has traced a new counterfeit ring to Tampa Bay. The crook -- or group -- is passing fake $50 and $100 bills at high-volume stores. This particular operation uses bleached money. The crook bleaches authentic $5 bills, removes the ink, then reprints the bills in $50 and $100 denominations. Because the paper is authentic, the counterfeit money feels real and passes the pen test commonly used by retail clerks. . . . These particular counterfeiters have been passing bleached money in stores throughout Tampa Bay for the past few weeks." ❖

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in Tennessee refused to accept them as cash deposits, the collectors refused to accept the notes in payment of taxes. Dallas said for that, and, "perhaps, to other causes, perfectly consistent with the general solvency of the Bank of Chillicothe, the notes circulating in Tennessee have suffered a considerable depreciation." [36]

Tennessee's Congressional delegation told the treasury secretary that there were two banks in that state, one at Knoxville and one at Nashville, of unquestioned credit and solvency; neither of which had suspended payment of specie nor had planned it. The inference is clear they felt the money borrowed should have been local currency. The solvency of the Bank of Chillicothe was not questioned; it was just that the flow of trade was from southwest, easterly and northeast, and Tennessee business had no need for local money in Chillicothe. The refusal, by the government, to receive the notes was felt to be an intentional imposition upon the people of Tennessee. [37]

The secretary reported that since the Bank of Chillicothe notes used by the army could not be distinguished from any of its other notes, they were becoming the object of speculators looking for a sure profit; and any attempt to give preference to the former would increase that speculation:

> *Under these circmstances the case is, obviously, one of great delicacy. The Government has passed the notes at their nominal value; but it is equally true, that the Government is bound to pay for them to the bank according to their nominal value. The Government did not contract any engagement to support the credit of the notes, nor to accept them in payment of duties at any subsequent period; and all the persons who have accepted the notes, either in payment from the Government, or by transfer from the militia, have done so voluntarily, without any pretence of reliance upon any such engagement. If, therefore, it should be deemed proper to direct, by the legislative authority, that the notes of the Bank of Chillicothe shall be received in payment for duties, the principal of that direction will be equally applicable to every other case where the Government had paid its troops or creditors in bank notes, which have afterwards suffered (from whatever cause) a depreciation in credit or circulating value. The effect of such a law, upon the public revenues, need not be particularly stated.* [38]

The Treasury Department prepared a set of instructions for collectors of the revenue to regulate their conduct in receiving bank notes for taxes. It was designed to unite the security of the revenue with the accommodation of the banks and individual citizens. When the information had been compiled, the Ways and Means Committee presented a resolution stating it would not be in the best interest of the nation to designate by law the bank notes which should be receivable in payment of taxes. [39]

Treasury Notes of 1814, Phase 2

The second phase of Treasury Notes began. For the first time, the Treasury was forced to issue notes in the discretionary second $5 million authorized; and the lack of specie and viable bank paper forced the issue of $20 Treasury Notes, the first denomination less than $100. Notes of lower currency denominations had been suggested in Congress earlier, but always voted down. The law authorizing the notes did not signify denominations, it only specified the interest of one and one-half cents per day on $100 notes; $1,000s, $100s and $20s were issued. Just when the Secretary of the Treasury exercised his discretion to issue the $20 notes has not been discovered, but they were printed and prepared before September 23, 1814. At least one $20 note became reimbursable in Philadelphia on October 11, 1815, indicating release during the

In Memoriam Thomas M. Flynn 1929-2008

It was with great sadness that we heard of the passing of our good friend Thomas M. Flynn, of Scottsdale, AZ in the June 23, 2008, issue of *Coin World.* He passed away on May 29th at St. Mary's Hospital in Rochester, MN. Tom was a longtime resident of Dubuque, IA before moving to Arizona.

Tom was one of the dealers who you loved to see at coin or paper money conventions. He always had a cordial greeting and was friendly with everyone who stopped at his table. We loved to talk to him about collecting. We always knew that Tom was a collector and attended many auctions around the country. At many times, we attended the same auctions.

When we received our Heritage CAA auction catalog for the Central States Numismatic Society Convention this past April, we were shocked to see the scope and breath of his collection.

He had exceptional collections of U. S. large and small sized currency, Fractional Currency, National Bank Notes, Military Payment Certificates, encased postage, Canadian paper money (said to be one the finest collections ever formed) and foreign currency. We attended the sale of his currency collection at the CSNS convention in Rosemont, IL this Spring.

Tom, his wife Mary and some of their children attended the sale. When the final hammer came down for the sale, the Flynn collection generated prices that in many cases were staggering. We covered some portions of the Flynn consignment, and our story can be found in the June, 2008 *Bank Note Reporter.*

We will miss Tom at the International Paper Money Show in Memphis later this month. He was a true gentleman, dealer, and collector who will be missed greatly by his many friends from around the United States and other countries.

All of our condolences and prayers to his wife Mary, their four sons and the rest of the Thomas Flynn family.

-- John and Nancy Wilson

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December 26, 1814 $100
(Heritage Auctions)

ten-day issue period in 1814 bearing that date. [40] In his report on the state of the finances, Secretary Campbell said, "Notes of a smaller denomination than those heretofore issued have been prepared, and will, probably, by passing into a more numerous and extensive class of the money transactions of individuals, carry a greater quantity into circulation. [41]

On November 12, 1814, Bolling Hall (Georgia) submitted five resolutions relative the Treasury Notes:

1. That the Ways and Means Committee inquire into authorizing the secretary of the treasury to issue an unspecified amount of Treasury Notes convenient for circulation, and that those notes alone, with gold and silver, be receivable for all dues to the United States;
2. That those notes have full legal tender quality;
3. That the secretary of war purchase supplies, as nearly as possible, in the several states in proportion to the amount of taxes collected in those states;
4. That at the expiration of twelve months from the date of issue, the notes may be fundable in six per cent stock;
5. That after paying the annual amount of interest and principal of the public debt the whole amount of public revenue be used to redeem the notes.

The second motion, to give the notes full legal tender status, was rejected by a vote of more than two to one. Mr. Gaston (North Carolina) said the Ways and Means Committee had already considered some of the suggestions and had submitted a report on the matter, including a suggestion that it might be better to establish a National Bank to issue notes. Mr. Hall replied that he was aware of the report but felt that at the present time any national bank would be based on government stock rather than specie so any paper issued by it would have little value. Hall's resolutions were tabled. [42]

On December 13 Mr. Wright (Maryland) submitted the following motion:

> *Resolved, That the Committee of Ways and Means be instructed to inquire into the expediency of prohibiting the receipt of the paper of any bank in the United States, which said bank shall refuse to receive Treasury notes of the United States, already issued or hereafter to be issued; and also, into the expediency of issuing Treasury notes of small denominations.*

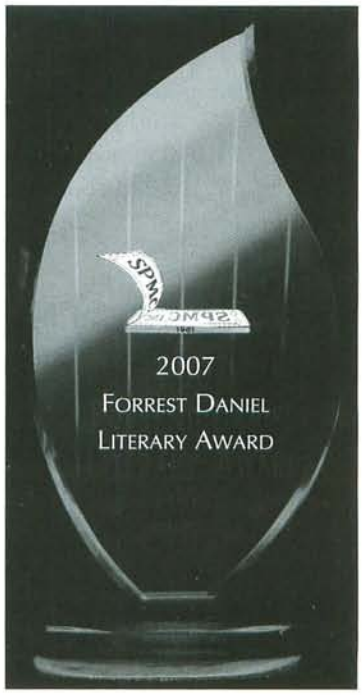
Forrest W. Daniel contributed to SPMC in many, many ways

SPMC CHARTER MEMBER FORREST DANIEL contributed to our Society in many, many ways over a period of 45 years. Forrest was not just a talker; he was a doer, co-creating our SPMC logo (based on his experiences as a journeyman printer shown at right), serving on our SPMC board for six years, including stints as Nominating Chairman and Life Membership chairman. As Awards Chairman, he was also responsible for revamping the Society's awards program and placing it on a steady keel for the next three decades or so. He is shown honoring world currency impressario Albert Pick below.

For his efforts, Forrest was honored with four of our Society's highest laurels: its Nathan Gold Lifetime Achievement Award (1993), Awards of Merit (1983 and 2000), the George W. Wait Memorial Award (2002), and unanimously with Honorary Life Membership (2002), one of a handful of members to be so honored.

It was as an author, however, that Forrest created his most lasting legacy within our hobby. Over the years, he penned nearly 150 articles for *Paper Money* on everything from soup to nuts, and garnered an incredible 10 SPMC literary awards in the process.

Sadly, Forrest died April 14, 2006, but his contributions to our Society extended past the grave. In his will, he left a most generous $10,000 bequest to SPMC, a portion of which is used to endow the "Forrest Daniel Literary Award," first presented in 2007. This striking award honors authors in the fields of paper money, finance and banking which interested Forrest, a truly renaissance range of inquiry. This writer was most humbled to receive the first award. And past *Paper Money* Editor and remarkable syngraphic scholar Gene Hessler was honored this year.



Publication of Forrest's 2002 George W. Wait Memorial Award-winning treatise on small Treasury Notes of the War of 1812 in this issue is another lasting gift from his fruitful life.

-- Fred Reed ❖

December 26, 1814 $20
(Heritage Auctions)

Wright's motion was tabled. [43]

The various loan bills voted by Congress during the war were represented by stock redeemable in twelve years, with specie the only form of money to be received. On November 15, however, a $3,000,000 loan made it lawful to receive Treasury Notes at face and accrued interest for the stock. That provision was an attempt to remove the one-year notes from whatever circulation they had and to replace them with 12-year obligations at higher interest.

Subscriptions to the $25 million loan of March 24, and the $3 million loan of November 15 fell far short of the needs of the government. Congress, by the Act of December 26, 1814, authorized the additional issue of $7,500,000 of Treasury Notes to make up the deficit. These notes were to be in the same form and carry the same usage as the notes authorized by the Act of March 4. At the same time an additional $3 million of Treasury Notes was authorized to be issued to cover expenses of the War Department. [44] A proposed $1,000,000 of Treasury Notes for the Navy Department was deleted from the bill. A total of $20,500,000 were authorized under legislation passed in 1814, but none of the notes approved in December were released until the next year.

Of the $8,297,280 of Treasury Notes placed in circulation in 1814, $1,070,000 were under the authority of the Act of February 25, 1813, and $7,227,280 under the Act of March 4, 1814. [45]

Treasury Notes of 1815

The Treaty of Ghent, marking the end of the war with Great Britain, was signed on December 24, 1814, but it took some time before the news of the peace reached America. The Battle of New Orleans took place two weeks after the treaty was signed. The treaty was not ratified in Washington until February 18, 1815. In the meantime the fiscal difficulties of the United States were debated in Congress.

Mr. Law (Connecticut) submitted a resolution on January 7 which is especially interesting for its final clause. The first part asked that Treasury Notes be made receivable for fines, forfeitures, penalties and executions due the United States. The second part asked "to extend the said laws so as to make Treasury Notes receivable in payment for taxes due the United States from any number of persons who may be united for that purpose." [46]

Mr. Eppes inquired of the object of the resolution since every individual was permitted to pay his particular taxes with the notes. Mr Law said:

> *At present, if several persons having taxes to pay can make up the precise amount they owe in treasury notes, the collectors will not receive them, alleging they are so instructed by the Treasury Department. Treasury notes [are] not now issued of any denomination less than twenty dollars; and yet, if two persons owing ten dollars each, tendered such a note in payment, the collector would not receive it. The consequence of which is, that such persons have to procure specie to pay their taxes, nothing else being receivable.* [47]

Mr. Bigelow, of Massachusetts, confirmed Hall's statement, having received letters from his district to that effect. He understood the treasury secretary complained that all the taxes were being paid in Treasury Notes. Bigelow said he "knew not how that could be, as he knew that most of the taxes, in his district at least, (Massachusetts banks were on a specie basis) were paid in other money; unless . . . the collectors received the taxes in good money, and instead of paying it into the treasury, make use of it to buy Treasury Notes at a discount to pay into the Treasury, and make a profit from the difference."

Mr. Hawkins, of Kentucky, moved to strike out the part authorizing associations for paying taxes with Treasury Notes, stating that he knew the treasury department contemplated the issue of smaller denominations which would obviate the difficulty. The original resolution was tabled by a vote of 61 to 56.[48]

Secretary Dallas had some suggestions for Treasury Notes in his reports to Congress. He lamented that the notes had been charged against the sinking fund, "The treasury notes were in their design, and ought to be in their use, a species of circulating medium; but it is evident that a sinking fund of $8,000,000 could never supply the means of paying the prior claims" and to pay off the Treasury Notes when they fell due, especially since more than $8 million had been issued in 1814. He suggested paying the notes out of current revenue or by funding them into longer term securities; that would leave the sinking fund sufficient to cover the other debt.

He recommended an issue of $15 million of Treasury Notes for 1815 with eleven specific points in his plan:

1. Denomination left to the secretary of the treasury with the approval of the president;
2. Notes of $100 upwards to bear 5 2/5 per cent interest;
3. Notes less than $100, and not less than $20, to be payable to order and bear interest; or to be payable to bearer and bear no interest, as the secretary and president should direct;
4. Notes under $20 denomination should be payable to bearer and circulated without interest;
5. The notes should be issued, and made payable at the treasury only, but supplies of them deposited with loan officers of banks throughout the country for the purpose of being put into general circulation;
6. The holders of Treasury Notes not bearing interest might exchange them, in sums not less than $100, for certificates of public stock bearing 7 per cent interest, and irredeemable for twelve years from the date of the certificate;
7. That the notes be receivable in all payments to the United States, and when so paid might be reissued;
8. That the $15 million of notes be payable in five annual installments of $3 million each from 1816 through 1820;

9. The reimbursement be effected, according to the installments, either by payment of principal and interest to the holders, or by taking out of circulation and destroying those notes paid to the government for duties, taxes or other demands;

10. There should be an annual appropriation of taxes adequate to pay the installment;

11. There should be no additional issue of notes without specific pledge of taxes to reimburse them.

He also recommended a loan of $25 million, and left it to the wisdom of Congress to decide "whether any other means can be applied to restore the public credit, to reestablish a national circulating medium, and to facilitate the necessary anticipations of the public revenue." [49]

The Ways and Means Committee's first draft of a bill authorizing Treasury Notes for 1815 called for a loan of $25 million and $15 million in notes; but after consideration, it was felt the loan could not be raised so the proportions were reversed. The bill called for notes of $100 or more to bear 5 2/5 per cent interest and to be transferrable by endorsement, and those below $100 to be transferrable by delivery and bear no interest. Both types were to be fundable into public stocks, those not bearing interest at 8 per cent and those bearing interest at 7 per cent. The bill was approved without debate. The Senate, however, lowered the suggested interest rates to be paid on the stocks by 1 per cent, and the House approved.

Summary of the Law

The Act of February 24, 1815, to authorize Treasury Notes for 1815 had some similarities to earlier Treasury Note laws, but it had enough major differences to call for a detailed summary. The secretary of the treasury was authorized to have prepared, signed and issued $25,000,000 in Treasury Notes. These notes were to be signed by two persons who were to receive 75 cents for each 100 notes signed; (a reduction from $1.25 previously paid), and they were to be countersigned by the Register of the Treasury, or in case of his sickness or absence, the Treasurer of the United States.

February 24, 1815 $100
(Heritage Auctions)

The secretary of the treasury was to designate the denominations to be prepared; and those of value less than $100 should be payable to bearer, be

Death claims J. Roy Pennell, past SPMC president, publisher

THE SOCIETY'S SENIOR MEMBER IN TERMS OF lowest original membership number, past SPMC president and publisher James Roy Pennell Jr. died June 17. Mr. Pennell was born May 26, 1924.

A founder of our SPMC in 1961, he held Charter Member #8 and also an Honorary Life Membership in 1975. Mr. Pennell served as SPMC President from 1971-1975, after having served as Vice President and Secretary earlier. He was also a Governor of SPMC for 14 years, 1965-1979, and our publisher from 1965-1978. He also served as Awards Chairman and Nominating Chairman. In 1968, he received an "Outstanding Service Award" from the Society, and in 1988 the coveted Nathan Gold Lifetime Achievement Award. In 2006, he was honored with a second Nathan Gold award, one of only four individuals to be so honored, for his work recording counterfeit obsolete currency.

Pennell was a widely respected business and civic leader in South Carolina. He was president of Superior and Anderson Concrete Companies, chairman of the local airport commission, Salvation Army Advisory Board, and president of the United Fund. In 1969, he was appointed to the U.S. Assay Commission by President Nixon. In addition to his various SPMC posts, Roy served on the South Carolina State Museum Board as well.

Pennell wrote on topics as diverse as Civil War banking, Bermuda currency, and obsolete note fakes for *Paper Money*. In 1966 he authored *Obsolete Bank Notes of North Carolina*, an historical work of 48 pages on the 21 state banks that issued notes. In October 1970 Mr. Pennell garnered one of the highest accolades a collector can receive when he was invited to exhibit at the Smithsonian Institution. His collection "South Carolina Paper Money 1770-1933: Colonial Bills to Depression Scrip" was mounted in the Hall of Monetary History and Medallic Art as part of the 300th anniversary of the settlement of South Carolina. The exhibition was organized by curator Eliva Clain-Stefanelli, who also contributed a handsome brochure to accompany the exhibition.

Pennell is responsible for the green buckram SOPMC binders with detachable copper wire fasteners for filing issues of our journal *Paper Money*, which he produced in the late 1960s. Circa 1970, he also bound the first eight volumes of the magazine in four matching green books, which were sold for several years to members. Mr. Pennell is well remembered for reprinting several Civil War era counterfeit detectors in the late 1970s. Also, during the 1970s and early 1980s, Pennell handled sales of ABNCo souvenir cards.

Mr. Pennell was a member and benefactor of the ANS and ANA, which awarded him its Medal of Merit and President's Award. Although partially disabled by a stroke, Roy continued to be active in the hobby, setting up as a dealer and dispersing his bank note proofs, vignettes, and similar material to appreciative collectors. Survivors include Pennell's wife Arden, a son and three daughters. *-- Fred Reed* ❖

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transferrable by delivery alone, and bear no interest; notes of $100 or more were made payable to order, transferrable by delivery and assignment by endorsement, and bear interest from the day of issue at the rate of 5 2/5 per cent per annum; or notes of $100 or more might be made payable to bearer, transferrable by delivery alone, and bear no interest. Notes of the type last mentioned were never issued.

Section 4 of the law made all denominations of the notes, presented in sums not less than $100, fundable into United States stocks by the Treasury of the United States or any commissioner of loans. The stocks issued for notes not bearing interest were to bear interest at 7 per cent; and the stocks issued for notes bearing 5 2/5 per cent were to bear 6 per cent per annum. Both stocks were to bear interest from the first of the next ensuing month, with the interest payable quarterly. The stocks were to be transferrable in the same manner as other U. S. securities; and the faith of the United States was pledged for their redemption when funds were available, or at any time after December 31, 1825.

Whenever any of the notes might be presented for stocks, or paid to the United States for taxes, duties or demands, they could be reissued, and applied anew for the same purpose and in the same manner as they were originally issued. When presented they were to be received at face plus interest, for those bearing interest, at a rate of one and one half cents per day for each $100 of principal.

Any person making payment of the notes to the government was required to give duplicate certificates of the number and amount of each and every note, and the interest thereon. Every collector, receiver or public officer receiving the Treasury Notes was to be charged for the interest on the notes from the time he received them until the day he paid them into the Treasury or deposited them in a bank where public moneys were received; no charge was to be made to the collector, however, if his bank deposits would receive the notes as specie and give credit for all the interest due until the day the bank received them.

The notes were to be issued at par in payment of any services, supplies or debts, to any person who was willing to accept them in payment; or they might be sold to investors at par; or be deposited in banks which would receive them at par and give credit to the Treasurer of the United States.

The one-year Treasury Notes of the earlier issues were also made convertable into certificates of the public debt in the same manner as those issued under the present act. Forty thousand dollars was appropriated for the preparation, engraving, printing, signing and other expenses incidental to the issuance of the notes. Counterfeiting, or any activity incidental to counterfeiting or uttering false notes, was punishable, on conviction, by hard labor for not less than three years, nor more than ten years, and a fine not to exceed $5,000. [50]

The Final Issue

The Act of February 24, 1815, provided notes with different characteristics from earlier issues. They were not payable at any special date and not chargable to the sinking fund; they were payable from the general treasury and rested on the provision making them fundable into stock. The denomination $100 bore the same interest as the earlier issues. But the new provisions called for a redesigned form and the 7 3/8- by 3 7/8-inch notes were called "Treasury notes of the new emission." [51]

Notes of denominations less than $100 were payable to order, transferrable by delivery only and bore no interest; those characteristics, more nearly resembling bank notes, demanded an entirely different foremat. They were dated March 25, 1815. The notes of $3, $5, $10, $20 and $50 denominations

New catalog for card fans

SOUVENIR CARD COLLECTORS SOCIETY (SCCS) has released its new catalog titled *Souvenir Cards: A Visual Reference.* The 140 page reference pictues 12 cards per page, cataloged by the SCCS numbering system developed more than two decades ago.

The new catalog is the work of SCCS President and Journal Editor William Kriebel.

Souvenir cards are collectibles printed by security printers using the intaglio printing process with engraved metal plates. The premier printer of such items is the BEP.

The catalog attempts to list all known modern-day cards since 1969 when the BEP began its current program. Only a few Forerunner (Union) cards are included prior to that date.

"The catalog, published in black and white, will be a living document," according to Lee Quast. "The pages are three-hole punched to allow for updates to be included as they develop. Pages are bound in a plastic binder for extra protection and to allow for page additions," Quast added.

"The catalog was sorely needed by collectors, since it is the first such picture listing since 1997," he continued. Prior to then, the only published reference was the 1989 publication by the SCCS, which did not include pictures.

Copies of the catalog are available to SCCS members for $10 (first copy only) and for $15 to all others. Postage of $3 to U.S. addresses only must be added. Orders can be placed with Souvenir Card Collectors Society, 1923 Manning St., Philadelphia, PA 19103. ❖

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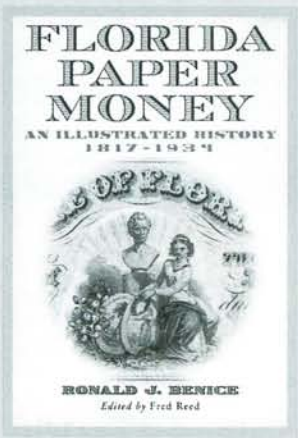

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February 24, 1815 $20 and $50 (Heritage Auctions)

were printed 6 1/2 by 3 inches in size, and called "Small Treasury Notes." [52] They were separately designated by that name in official records. Notes of $100 denomination with the same qualities as the Small Treasury Notes were authorized but never issued.

The Six Per Cent Treasury Note Stock of 1815 was created on March 3 when the president was authorized to borrow $18,452,800. In addition to specie, approved bank notes and Treasury Notes issued before passage of the act and chargeable to the sinking fund were receivable in subscriptions to the loan. This stock was reimbursable at any time after December 31, 1815, and redeemable after December 31, 1824. It was intended to absorb some of the earlier Treasury Note debt; to obtain funds to pay arrearages of the unsubscribed portion of that debt; and to obtain local currencies of different places in some proportion to possible demands in those areas. Of the $9,284,044.38

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received by September 30, $3,161,587.06 was in Treasury Notes and $6,122,457.32 was in money. The subscriptions were tabulated by the treasury, thus:

District of Columbia:		
In money	$2,282,037.38	
In TreasuryNotes	257,276.65	
		$2,539,314.03
Baltimore:		
In money	1,994,818.50	
In Treasury Notes	608,661.90	
		2,603,480.40
Philadelphia:		
In money	1,845,000.00	
In Treasury Notes	1,260,568.69	
		3,105,568.69
New York:		
In money	601.44	
In Treasury Notes	658,371.61	
		658,973.05
Rhode Island: In Treasury Notes		132,020.69
Massachusetts: In Treasury Notes		97,301.32
New Hampshire: In Treasury Notes		52,386.20
North Carolina: In Treasury Notes		95,000.00
		$9,284,044.38

The loan was a success, for the time being, and sufficient local currency was obtained except in Boston and New York. [53] The loan produced $12,288,149.64 by January 1, 1817.

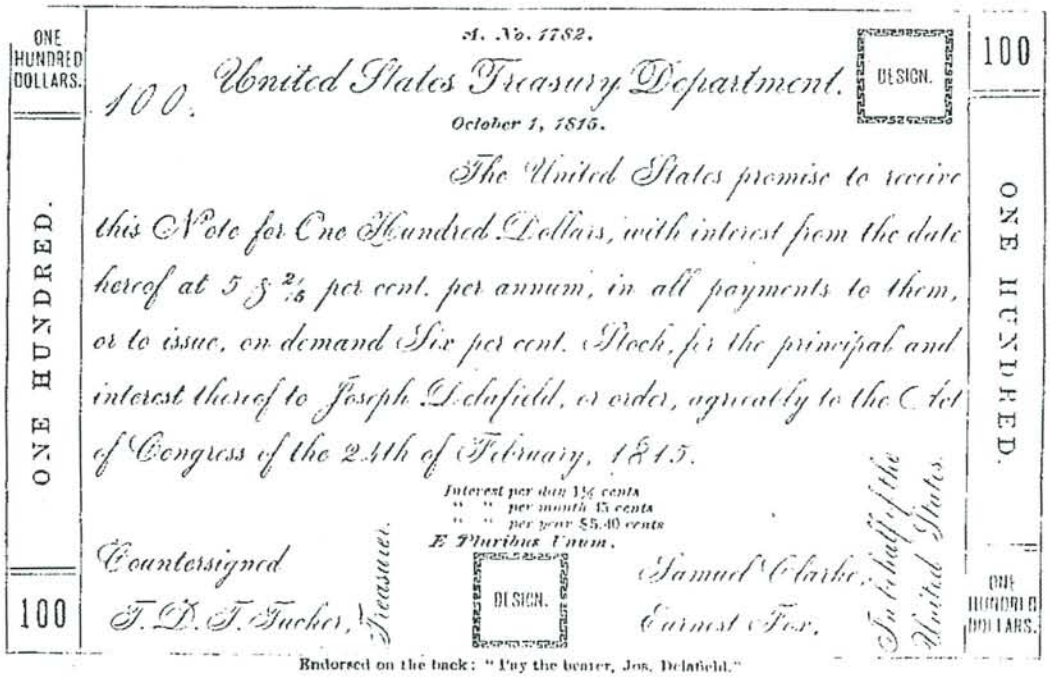
During 1815 the government received $20,406,897.38 from the release of Treasury Notes. Of that amount:

$2,772,720 was from notes of the Act of March 4, 1814;
$8,318,400 from the Act of December 26, 1814;
$3,839,585 from notes of the Act of February 24, 1815;
$5,432,543, for which certificates of 7 per cent stock were issued;
$32,107.64 from premiums on the sale of Small Treasury Notes; and
$11,541.74 on account of interest on Treasury Notes. [54]

The total issue of Treasury Notes under the Act of February 24, 1815, was $7,815,394, comprised of $4,422,400 in notes of $100, and $3,392,994 in Small Treasury Notes, contisting of 14,868 $3 notes, 28,176 of $5, 36,811 of $10 and 47,988 $50s. [55] Since these notes were reissuable when received for duties or taxes or on having been funded, they represented transactions far in excess of their total. Only one accounting of re-issued notes has been found and that covered transactions prior to October 1, 1815. Total payments in Small Treasury Notes to that date were $4,142,850, which included $2,282,850 in new bills and an estimated $1,860,000 in re-issued bills. [56] More than $1 million of the re-issued notes were sold at a premium. The limit of the issue was reached before August 1, 1816, and while some were released after that date to pay bills, the amount outstanding declined steadily.

$100 Treasury Notes, New Emission

The new emission of Treasury Notes was printed on three-subject sheets rather than two, as had been done for the earlier types. The conversion provision forced an entirely new design. The notes were printed in Philadelphia by Murray, Draper, Fairman & Co., and sent to Jonathan Smith, cashier of the Bank of Pennsylvania; he forwarded them to the Register of the Treasury. The



October 1, 1814 Form of $100 Treasury Note as depicted by John Jay Knox

first shipment of 400 sheets, $120,000, was invoiced on August 14, 1815, and received by the Register on August 16. Shipments of 400 sheets were made almost daily from August 14 to 30 and from November 18 to 29.

The shipment on January 5, 1816, brought the total to 10,400 sheets; that was the last entry in the ledger examined. The entries were to be continued in "Book B, Page 1;" microfilm of that ledger was not available. The first payment of $100 Treasury Notes of the new emission was to Cornelius P. Van Ness at the Treasury, $18,800 worth. Four hundred fifty-nine entries of payments were made to January 26, 1816, when the tabulation was continued in Book B. [57]

On October 10, 1815, J. W. Robinson, Navy Agent at Charleston, sent a draft for $47,000 in Treasury Notes. He requested a few thousand each of $20, $100 and some of $1,000. [58] The receipt for the notes was dated October 18; the serial numbers were not recorded in the letter and the receipt was not filed with the letter. [59] No Treasury Notes of December 1814 were released in the fourth quarter of 1815; Treasury Notes of 1815 were released in the third and fourth quarters and later, [60] so Robertson probably received only $20s and $100s. In his communication to Congress on "The State of the Finances," December 8, 1815, Secretary Dallas reported only $100 "Treasury Notes of the new emission" had been issued under the Act of February 24, 1815. [61]

Notes to Part IV

1. William M. Gouge, *A Short History of the Paper Money and Banking in the United States* (Philadelphia, 1833), Part II, p. 26.
2. Ibid., p. 27.
3. James Madison, *Journal of the Constitutional Convention*, E. H. Scott, ed. (Chicago, 1892), pp. 541-543.
4. Annals, 12th Cong., 1st. Sess., Vol. 2, 1812, pp. 1493, 1494.
5. Ibid., pp. 1495, 1396.
6. Ibid., p. 1498.
7. Ibid., p. 1499.

8. Ibid., p. 1503.
9. Ibid., pp. 1504-1506.
10. Ibid., pp. 1507, 1508.
11. Ibid., p. 1509.
12. Ibid., pp. 2335-2337.
13. American State Papers, Finance, Vol. 2, p. 590.
14. Bayley, p. 123.
15. Finance, Vol. 2, p. 601.
16. Annals, 12th Cong. 2nd Sess., pp. 908, 909.
17. Ibid., pp. 912, 913.
18. Ibid., p. 917.
19. Annals, 12th Cong., 2nd Sess., 1812-1813, p. 920.
20. Ibid., 1330-1333.
21. Finance, Vol. 2, p. 661.
22. Annals, 13th Cong., 1st Sess.. 1813-1814, Vol. 1, pp. 878, 879.
23. Ibid., Vol. 2, p. 1588.
24. Ibid., p. 1949.
25. Ibid., p. 1951.
26. Ibid., p. 1952.
27. Ibid., P. 1953.
28. Ibid., p. 1954.
29. Gouge, Part II, pp. 59, 60.
30. Annals, 13th Cong., 3rd Sess., 1814-1815, Vol. 3, pp. 1484-1490.
31. Ibid., 1501; Finance, Vol. 3, p. 74.
32. Annals, Ibid., pp. 769, 770.
33. Ibid., p. 763.
34. Finance, Vol. 2, p. 886.
35. Ibid., p. 883.
36. Annals, 13th Cong., 3rd Sess., 1814-1815, Vol. 3, p. 717.
37. Ibid., p. 718.
38. Ibid., p. 717.
39. Ibid., pp. 717, 718.
40. Finance, Vol. 3, p. 30.
41. Annals, 13th Cong., 3rd Sess., 1814-1815, Vol. 3, 1486.
42. Ibid., pp. 557-559.
43. Ibid., pp. 883, 884.
44. John Jay Knox, *United States Notes* (London, 1885), pp. 30, 31; DeKnight, pp. 53.
45. DeKnight, pp. 125, 127.
46. Annals, 13th Cong., 3rd Sess. Vol. 3, p. 1045.
47. Ibid.
48. Ibid., pp. 1045, 1046.
49. Ibid., pp. 1092-1094.
50. Ibid., pp. 1921-1924.
51. Ibid., p. 1610; Knox, p. 34.
52. Ibid.
53. Finance, Vol. 3, pp. 11, 12, Annals, 14th Cong, 1st Ses, p. 1626.
54. Seybert, pp. 538, 539.
55. National Archives Microfilm Publication, Microcopy 235, Roll 249, frames 316-319, *Miscellaneous Treasury Accounts of the First Auditor (Formerly the Auditor) of the Treasury Department*, Sept. 6, 1790 - July 14, 1840.
56. Finance, Vol. 3, p. 24.
57. National Archives, Record Group 53, Registers of Treasury Notes, Vol. 191.
58. Microcopy 235, Roll. 249, frame 130.
59. Ibid., frame 158.

60. Bayley, pp. 131, 133, 134.
61. Annals, 14th Cong., 1st Sess. Vol. 3, p. 1610.

Part V
Small Treasury Notes

The $100 Treasury Notes of 1815, bearing 5 2/5 per cent interest, were convertible into "Six Per Cent Treasury Note Stock" created for that purpose and payable after 1824. On January 1, 1817, only $60,834.02 of that stock was part of the funded debt; apparently the difference in interest was too small to make the stock attractive. [1] A later register shows more than $384,000 sold by that date. Small sales continued until 1825 to a total of $1,505,352.18. The last redemption was in 1830. [2]

That was not the case, however, with the "Seven Per Cent Treasury Note Stock" issued to replace the Small Treasury Notes. It was so popular, in fact, that $1,365,000 of small-denomination notes sold at a premium above face value; $300,000 was sold at a 4 per cent premium, but the average was about 2 1/2 per cent, and $32,107.64 extra was realized on their sale in 1815. [3] A letter in the National Archives illustrates one of those sales:

Treasury Department
June 10th, 1815

Sir,

I request you to transmit by mail to William Miller of Philadelphia, thirty-five thousand dollars in small Treasury Notes, of any denominations that shall be most convenient to you; the same having been sold to him, and the amount paid, with two per cent premium, to the credit of the Treasurer of the U. States, in Stephen Girard's Bank, on the 7th instant.

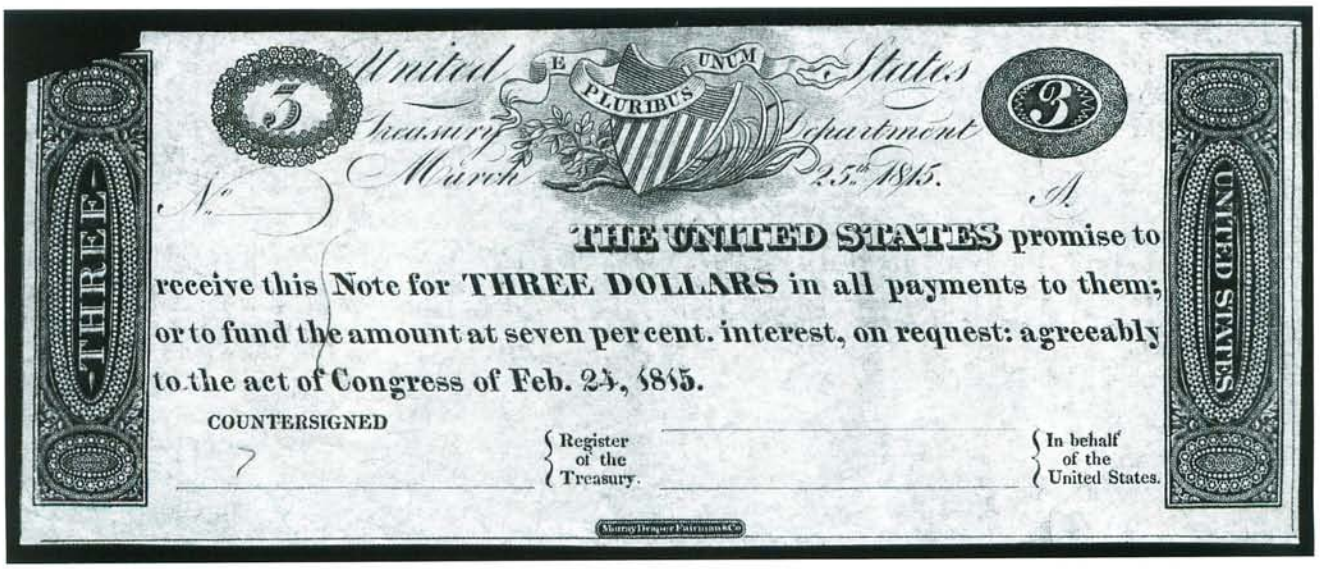
For greater security you will be pleased to put the Notes under cover to John Steele Collector Philadelphia.

I am very respectfully,
Sir,
Your Obedt, Servt.
A. J. Dallas

Register of the Treasury.

The notes sent to cover that sale were Nos. 4701 to 4875, letters a b c and d of $50 each. [4]

February 24, 1815 $3
(Heritage Auctions)



February 24, 1815 $5 and $10
(Heritage Auctions)

By January, 1817, $8,856,960 of 7 per cent stock had been sold on an issue of $3,392,994 in small notes; and $69,594 of small notes was still outstanding. [5] Sales continued until 1825, when $25,900 of small notes were converted to bring the total to $9,070,386.00. The last redemption of 7 per cents was in 1836. In 1880, $32.52 was still outstanding. [6]

The circumstances into which the last Treasury Notes and Small Treasury Notes were issued was the most serious of the entire period. Even though peace had returned, economic conditions became worse because relaxed trade demanded a viable currency. The suspension of specie payments throughout the greater portion of the United States, and the consequent cessation of the interchange of bank notes and bank credits between institutions of the different states deprived the treasury of all the facilities for transferring bank credits from place to place.

Letters in the treasury records tell of the need for small notes. Joseph Whipple of the Collector's Office for the District of Portsmouth acknowledged the receipt, on April 4, 1815, of a package of $5 notes directed to the Commissioner of Loans, and added, "Notes of that denomination would be peculiarly convenient & useful in this office for making disbursement in small sums during the present almost entire absence of specie, would bring Notes into

On This Date in Paper Money History -- Sept. 2008
By Fred Reed ©

Sept. 1

1781, Continental Congress publishes *Table of Currency Scale, Paper Money to Silver;* **1903**, U.S. ships first small size Philippine peso notes to Manila; **1975**, Chile exchanges 1,000 escudos for one new peso;

Sept. 2

1937, Princeton, KY Tobacco Festival issues wooden nickel flat; **1958**, Act of Congress amends Section 474, Title 18 U.S. Code to provide for limited printing and filming of U.S. and foreign obligations and securities;

Sept. 3

1866, Treasury Department approves Laban Heath using certain "cuts" for his counterfeit detectors; **1947**, Chicago Coin Club members view film *The Story of Money;*

Sept. 4

1841, Third Bank of United States closes doors; **1952**, Numismatic novelist Laurence Dwight Smith dies; **1980**, NASCA auctions Lyn Knight's obsoletes and ad notes;

Sept. 5

1835, Treasury Secretary John Carlisle born; **1927**, Fed Chairman Paul A. Volcker born; **1986**, Dire Straits "Money for Nothing" wins MTV Music Award;

Sept. 6

1777, U.S. Treasurer Michael Hillegas (FR 1167-1173) appointed; **1893**, Plate Printers Union of America unites 350 plate printers in D.C., Boston, NYC, Philadelphia;

Sept. 7

1945, Special Allied Military yen notes issued for Korea, **1850**, San Francisco private bank of Naglee & Sinton suspends operations in face of bank run;

Sept. 8

1664, Dutch Governor of New Netherlands Peter Stuyvesant, who appears on obsoletes, surrenders New York to British; **1862**, first day of issue for Postage Currency at New York City, **1865**, First National Bank chartered in Oregon (FNB Portland #1553);

Sept. 9

1890, Comptroller of Currency orders overprinting of charter # in upper right corner on Series 1882 Brown Back faces; **1864**, College currency issuer Harvey Gridley Eastman patents his school room design; **1953**, last delivery Series 1950 $100 FRNs,

Sept. 10

1835, Encased stamp issuer Evansville, IN merchant Henry A. Cook born; **1930**, Smithsonian Institution mounts "Liberty" exhibit; **1943**, Abe Kosoff's Numismatic Gallery sale of Michael F. Higgy Collection ushers in modern numismatic market;

Sept. 11

1850, European songstress Jenny Lind, who appears obsoletes, makes U.S. debut; **1911**, keel laid down on USS New York (BB 34), shown on Battleship Note, large size $2 FRBN; **2001,** Stack's postpones auction sale due to tragic events of that day;

Sept. 12

1818, Tombeckbe Bank at St. Stephens, Alabama Territory, opens; **2002**, BEP resumes public tours after one day observance of events of 9/11/01;

Sept. 13

1862, Treasury Secretary Chase OKs new sealing and trimming machines; **1982**, Currency Exchange Program computer program by Jacques P. Evans copyrighted; **2004**, Princeton University Library names Alan Stahl Curator of Numismatics;

Sept. 14

1923, D.W. Valentine's *Fractional Currency* book in press; **2001**, Robert Hoge assumes duties as ANS Curator of American Coins & Currency;

Kagin's
Historically since 1933, the largest purchaser of rare American paper currency . . . CALL 888-8KAGINS

Sept. 15

1837, City of Trenton, NJ issues scrip for 12 1/2-, 15-, 25-, and 50-cents; **1940**, mob crime drama *Crooked Money* (a.k.a. *While Thousands Cheer*) debuts;

Sept. 16

1861, British Post Office Savings Bank opens; **1861**, New Orleans banks suspend payments; **1892,** Alabama Governor Thomas H. Watts, who appears on state notes, dies;

Sept. 17

1868, Bureau of Engraving and Printing becomes official title for the currency production bureau; **1960**, Cuba nationalizes U.S. owned banks, **1970**, U.S. Treasurer Dorothy Andrews Elston marries Walter Kabis creating new currency signature;

Sept. 18

1737, Collector and artist Pierre Eugene du Simitiere born; **1879**, Philadelphia and Reading Rail Road Co. issues "Wages Certificates";

Sept. 19

1881, James A. Garfield, who said "whoever controls the volume of money is absolute master," dies; **1884,** Neil Carothers, author of *Fractional Money*, born;

Sept. 20

1877, Chase National Bank opens in NYC; **1996**, European Monetary Institute receives Euro banknote competition designs;

Sept. 21

1832, Bank of Scotland currency subject poet Sir Walter Scott dies; **1867**, Register of Treasury Stoddard Colby dies; **1974**, Virginia curency author Charles J. Affleck dies;

Sept. 22

1789, Office of Postmaster General is established within the Treasury Department; **1983**, Regan-Ortega combined tenure begins; **2000**, Currency Auctions of America sells the Michael J. Sullivan Collection of bank histories;

Sept. 23

1852, Artist John Vanderlyn, whose painting Landing of Columbus appears on First Charter $5 NBN backs, dies; **1956**, *United States Notes* author Wayte Raymond dies,

Sept. 24

1755, Chief Justice John Marshall (FR 372-375) born; **1924**, Inventor Elizabeth Magie Phillips patents enhanced board game, forerunner of Monopoly;

Sept. 25

1981, Bob Medlar auctions Glen Smedley paper money collection; **2004**, Oregon group circulates "River Hours" scrip in Columbia River gorge area;

Sept. 26

1778, Continental Congress appoints Treasury seal design committee; 1820, Daniel Boone, who appears IL and KY notes, dies; **1996**, U.S. Department of Justice charges Ponterio & Associates with bid-rigging at Christie's ABNCo archives auction;

Sept. 27

1840, Political cartoonist Thomas Nast, who created "Rag Baby" image for greenback inflation, born; **1912**, Asst. Treasury Secretary Sherman Allen presents collections of CSA notes to public libraries;

Sept. 28

1919, Harold Lloyd-Bebe Daniels screen comedy *Soft Money* debuts; **2000**, BEP awards $25.4 million contract to De La Rue Giori to implement sheetfed perfecting offset press technology;

Sept. 29

1547, Author Miguel de Cervantes, honored on a Spanish 100-peseta note, born; **1946**, Philadelphia Federal Reserve Bank President Anthony M. Santomero born; **2004**, Canada releases its newlook $20 note;

Sept. 30

1913, End of Napier-Burke combined tenure as Register and Treasurer; **1970**, American Revolution Bicentennial Administration urges Bicentennial back for proposed New Two;

Table of duties imposed on goods, wares, and merchandise manufactured within the United States or the Territories thereof, by the acts of the 18th of January and 27th of February, 1815.

Articles.	Rates of duty.
Pig iron, bar iron, rolled or slit iron, per ton,	1 dollar.
Castings of iron per ton,	1 dollar 50 cents.
Nails, brads, and sprigs, other than those usually denominated wrought, per pound,	1 cent.
Candles of white wax, or in part of white and other wax, per pound,	5 cents.
Mould candles of tallow, or of wax other than white, or in part of each per pound,	3 cents.
Hats and caps, in whole or in part of leather, wool, or furs; bonnets in whole or in part of wool or fur, if above,two dollars in value; hats of chip or wood covered with silk or other materials, or not covered, if above two dollars in value,	8 per cent. ad val.
Unbrellas and parasols, if above the value of two dollars,	8 per cent. ad val.
Paper,	3 per cent. ad val.
Playing and visiting cards,	50 per cent. ad val.
Saddles and bridles,	6 per cent. ad val.
Boots and bootees, exceeding five dollars per pair in value,	5 per cent. ad val.
Beer, ale, and porter,	6 per cent. ad val.
Tobacco manufactured, segars and snuff,	20 per cent. ad val.
Leather, including therein all kinds of skins whether tanned, tawed, dressed, or otherwise made,	5 per cent. ad val.
Gold, silver and plated ware, and jewellery and paste work, except timepieces,	6 per cent. ad val.

Source: American State Papers, Finance, Vol. 3, p. 20

circulation as a medium and remove the present objection to those of larger denomination. . . ." On June 21, $8,300 of small notes was sent from the U. S. Loan Office in New Hampshire to Whipple for use in his office. Benjamin Austin of the Loan Office in Massachusetts asked for $180,000 "of such denominations as shall be most convenient, but including a portion of those of five and three dollars." [7]

Constant Taber, Navy Agent at Newport, Rhode Island, had several problems. On September 11 he asked for notes of $3, $5 and $10 "as I cannot settle with those who have Demand for want of small notes." In October he asked for $4,000 on a Navy Warrant, ". . . be pleased to send me a part in small notes. The Brokers purchase up the small notes fundable at 7 pct. and will not exchange the larger ones under 2 percent which creates a great deal of difficulty in paying small debts or making change for large amts." Taber expressed his frustration on February 8, 1816. "Please send me some small notes as it is more trouble frequently to make Change to pay small accounts than the Commission is worth." [8]

Lieutenant Lyman Kellogg, paymaster of the U.S. Marines at Sacketts Harbour, New York, had a different problem in September, 1815. Before a shipment of Treasury Notes arrived he had to discount a draft at the Bank of Utica in order to make payments. When the $2,900 arrived, he asked advice on how to settle the business, and said he would return the notes awaiting advice and orders. [9]

There were cases when specific instructions were sent telling exactly how the funds were to be received:

Treasury Department
10 April 1815

Sir.

Your draft of 25,000 Dollars for the Military Academy will [be] paid by a draft on the New York State Bank of Albany; but you will be pleased to direct the Paymaster to receive the amount in the notes of that bank, and not to assign the draft to any Bank of the City of New-York, as such an arrange-

On This Date in Paper Money History -- Oct. 2008
By Fred Reed ©

Oct. 1

1957, First processing of Savings Bonds by computer; **1990,** Treasury will no longer honor checks more than a year old; **2004,** ANA closes "Viva la Revolution!" exhibit;

Oct. 2

1814, John Elliott Ward, who appears on Confederate $10 notes, born; **1982,** *Two Centuries of American Banking* author and Smithsonian curator Vladimir Clain-Stefanelli dies; **1987,** Disneyworld and EPCOT Center introduce scrip notes;

Oct. 3

1776, Continental Congress specifies interest bearing certificates be printed in various colors to guard against fraud; **1964,** Warner Brothers circulates paper "wampum" for release of James Stewart western *Cheyenne Autumn*;

Oct. 4

1761, St. Louis banker and colonizer Moses Austin born; **1969,** SPMC member and dealer Mary Herzog born; **2002,** ANA debuts "$how me the Money: the Dollar as Art";

Oct. 5

1815, Bank of Pittsburgh issues scrip; **1892,** Dalton gang bank spree ends in Coffeyville, KS; **1999,** Roger Ferguson becomes Vice Chairman of the Fed;

Oct. 6

1889, Fractional Currency author Frank Limpert born; **1950,** BEP engraver Thomas R. Hipschen born; ;

Oct. 7

1964, Prodution of Series 1963 $20 FRNs with motto "In God We Trust" begins; **1970,** Series 692 MPCs issued; **1978,** International Bond & Share Society holds first meeting;

Oct. 8

1967, BEP Director Henry Holtzclaw retires after 50 years total service at the Bureau; **1979,** SPMC liquidates *Paper Money* back issues;

Oct. 9

1781, "Swamp Fox" General Francis Marion, depicted on Confederate $100 note, receives the thanks of Congress; **1967,** James A. Conlon becomes BEP Director;

Oct. 10

1720, French government says "NO" to banknotes; **1867,** John Jay Knox becomes deputy Comptroller of Currency; **1940,** Banknote engraver Edwin Gunn dies; **1971,** Banker and SPMC Charter Mempher William A. Philpott dies;

Oct. 11

1809, Explorer Meriwether Lewis (FR 114-122) dies; **1819,** Jacob Perkins receives English patent for anti-counterfeit Stereotype Steel Plate;

Oct. 12

1837, Treasury notes issued under this act first to be printed with back designs; **1859,** SF paper money issuer "Emperor" Norton orders Congress to dissolve;

Oct. 13

1648, Earliest known English check **1862,** Treasury contracts with Stuart Gwynn to supply security paper; **1982,** BEP installs first mechanical note examining equipment;

Oct. 14

1837, Richmond's Bank of Virginia begins emission of fractional shinplasters payable to "Henry Clay or Bearer"; **1968,** English language Treasury seal replaces Latin seal of Series 1966 $100 U.S. Notes;

Oct. 15

1936, Barney Bluestone opens Syracuse Coin and Novelty Co.; **1947,** Statue of Albert Gallatin at Treasury Building dedicated; **2003,** post-Saddam notes introduced in Iraq;

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Oct. 16

1806, Treasury Secretary William Pitt Fessenden (FR 539-548) born; **1893,** Engraver Robert Ponickau appointed to BEP; **2004,** Lyn Knight sells John Whitney's currency;

Oct. 17

1777, English general Burgoyne surrenders to U.S. general Gates (FR 464-464a); **1821,** Photographer Alexander Gardner whose Lincoln portrait was engraved for bond use born;

Oct. 18

1859, Dealer and Colonial and Continental Currency collector Henry Chapman born; **1862,** Pro-Union Missouri government authorizes state Defence Warrants; **1972,** Main Treasury Building declared National Historic Landmark;

Oct. 19

1752, Benjamin Franklin explains kite flying electricity experiment (FR 479-492) to British scientific community; **1896,** Treasury Secretary William Richardson dies;

Oct. 20

1758, New Jersey Colonial Currency (FR NJ119-127); **1837,** Pensacola issues municipal scrip; **2002,** Publisher Chet Krause dismissed from firm he founded;

Oct. 21

1862, Contractor Butler & Carpenter deliver first Certificate 2¢ revenue stamps; **1944,** Treasury lifts regulations on currency circulation in Hawaiian Islands;

Oct. 22

1780, Early banknote engraver Peter Maverick born; **2004,** R.M. Smythe conducts first Herb and Martha Schingoethe obsolete note sale at Strasburg;

Oct. 23

1964, Smithsonian Institution's Hall of Monetary History opens; **1993,** Thomas Crawford's statue Columbia (FR 1-5) replaced atop Capitol after restoration; **1999,** SPMC votes publication grant to Robert S. Neale for his book The Bank of Cape Fear;

Oct. 24

1808, Banknote vignette engraver John Sartain born; **1862,** Contractor Butler & Carpenter deliver first Certificate 10¢ revenue stamps; **1929,** Black Thursday begins the Great Depression; **1979,** *Oklahoma Obsolete Notes* author Maurice Burgett dies;

Oct. 25

1861, Transcontinental telegraph makes possible transfer of bank funds across country almost instantaneous; **1897,** Banknote vignette engraver John Sartain dies; **1960,** U.S. Treasurer H. Theodore Tate dies;

Oct. 26

1831, CSA note collector John Wiley Aulick born; **1981,** Treasury resumes selling U.S. currency in sheets; **1989,** Artist and banknote engraver John Hay dies;

Oct. 27

1648, Massachusetts General Court votes to accept wampum strands at set values; **1856,** U.S. currency designer Kenyon Cox born; **2003,** DaVinci Institute and *Forbes* magazine stage the "Future of Money Summit" in Denver;

Oct. 28

1823, Encased stamp issuer William Weir born; **1995,** At SPMC Librarian Roger Durand's suggestion Board votes to have magazine professionally bound by year;

Oct. 29

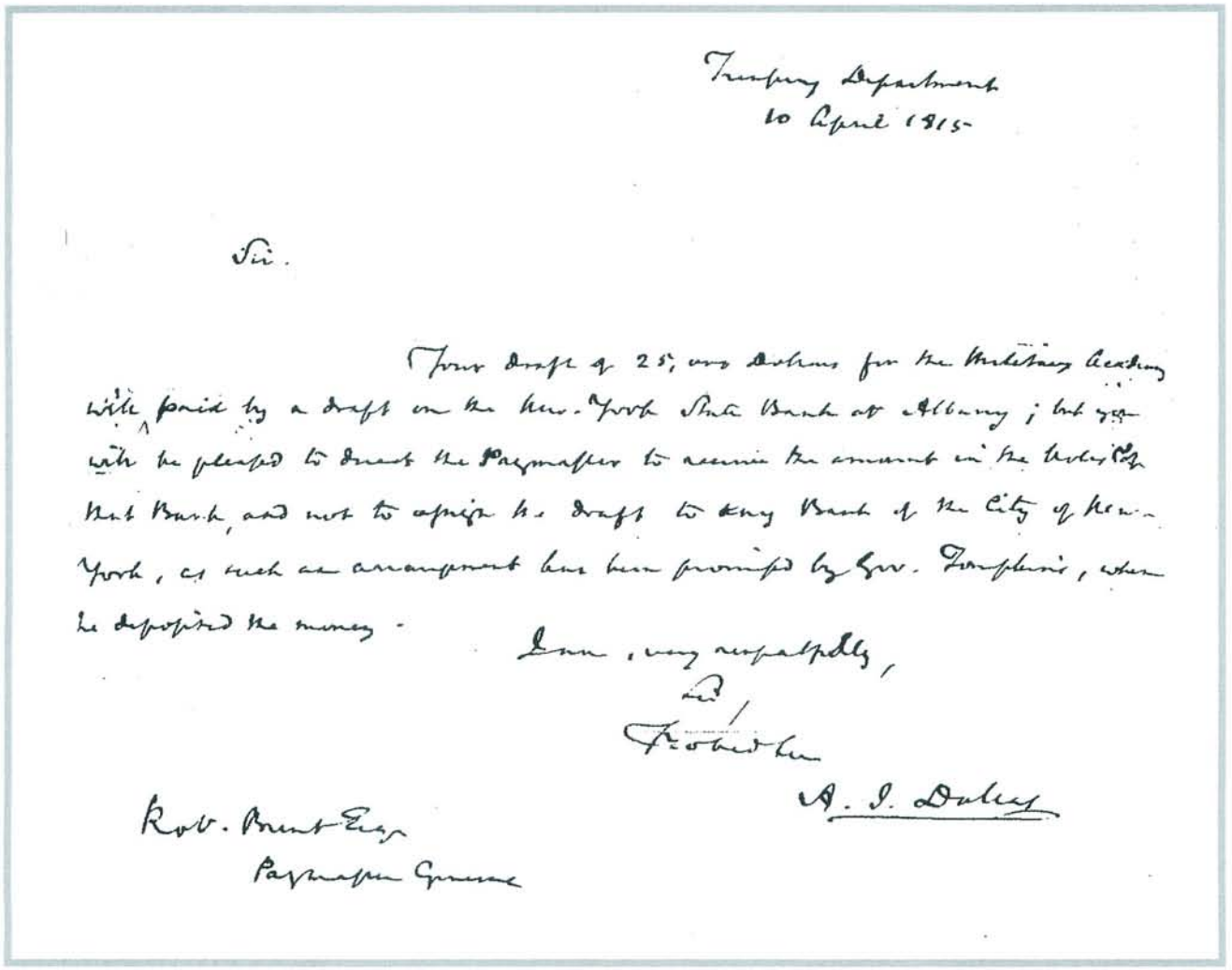
1616, Sir Walter Raleigh (FR 387-393) executed by the British Crown for treason; **1892,** Tromp l'oeil currency artist William Michael Harnett dies; **1935,** French film *The Last Millionaire* released in U.S.;

Oct. 30

1820, Banker and collector Herman Ely born; **1826,** New York publisher Mahlon Day patents his bank-note list, counterfeit detector and prices current list;

Oct. 31

1863, PMG Montgomery Blair tells Congress $392,499.82 in stamps used as currency redeemed/destroyed; **1985,** Roger Durand speaks at ANS COAC; ❖



Treasury Department
10 April 1815

Sir.

Your draft of 25 thousand dollars for the Military Academy will be paid by a draft on the New-York State Bank at Albany; but you will be pleased to direct the Paymaster to receive the amount in the United States Bank, and not to apply his draft to any Bank of the City of New-York, as such an arrangement has been promised by Gov. Tompkins, when he deposited the money.

I am, very respectfully,
Sir,
Your obedient servant,
A. J. Dallas

Rob. Brent Esq
Paymaster General

Holograph letter A.J. Dallas to Rob. Brent. (Forrest Daniel collection)

ment has been promised by Mr. (Tomplerni ?) When he deposited the money.

I am very respectfully,
Sir,
Yr obed ser
A. J. Dallas

Rob. Brent Esq
Paymaster General [10]

Opposite: Transmittal Form for small Treasury Notes, dated May 17, 1815. (Forrest Daniel Collection) Receipt for countersigned small Treasury Notes, dated Jun 9, 1815. (Forrest Daniel Collection)

Even though total revenues were sufficient, funds were often not available to discharge debts where and when they were required. The money in the treasury consisted chiefly of bank credits in southern and western banks. In this situation the relative value of bank notes between states, and different areas of the same state, differed to a much greater degree than they had when there had been freer interchange. Discounts ran from seven to 25 per cent. Even the Treasury Notes were devalued relatively to local currency, in spite of the fact that the treasury was required to circulate them at par.

Payments in bank paper were generally preferred to government paper, so when the governent was unable to procure local currency at reasonable terms its bills went unpaid. Another difficulty was to make the payments equitable; so that no one received more or less than he should in relation to similar transactions elsewhere. The orders to the army, mentioned earlier, to make purchases in each area relative to tax receipts in that area was an attempt to spend the revenues, as nearly as possible, where they were collected.

THE REGISTER returned the said Notes, countersigned by him, for the purpose of being deposited for safe keeping in the Bank this 17th Day of May 1815.

Mich'l Nourse

(copy)

OFFICE OF PAY AND DEPOSIT,
WASHINGTON, May 17. 1815

Deposited by JOSEPH NOURSE, Esq. for safe keeping in the Iron Chest, a Bundle described as follows:

No. 47

The within Packet contains small Treasury Notes No. 4001 a No 5000 a. b. c. & d. 2,000 Notes of $ 50 each — Dolls. 100.000

The same have been counted by us, and are all signed and countersigned Sealed with the Office Seal. Witness our Hands this 17th Day of May 1815.

Mich'l Nourse
Wm Mackay

R. Smith

TREASURY DEPARTMENT
REGISTER'S OFFICE 1815

THE Bundle above mentioned, containing small Treasury Notes, No. a No. a. b. c. and d. of $ each, amounting to Dollars was this Day delivered by us to as per his Receipt in the Register's Book.

OFFICE OF PAY AND DEPOSIT,
WASHINGTON, June 9. 1815

Deposited by JOSEPH NOURSE, Esq. for safe keeping in the Iron Chest, a Bundle described as follows:

Part of No. 29

The within Packet contains small Treasury Notes No. 4204 a No 5000 a. b. c. & d. 4203 3190 Notes of 5 $ each; Dolls. Fifteen thousand and nine hundred and fifty dollars

The same have been counted by us, and are all signed and countersigned Sealed with the Office Seal. Witness our Hands this 9 Day of June 1815.

Mich'l Nourse
Wm Mackay

SMALL TREASURY NOTES ON DEPOSIT IN BANKS IN 1815

			June 30	Sept. 30	Dec. 31
	Bank	Bath,	$ 165	$ 1,915	$ 2,875
	"	Cumberland,	915	2,527	3,744
	"	Narragansett,	55	55	55
Union	"	New-Hampshire,	4,700	17,757	28,420
	"	Kennebec,	---	---	25
State	"	Boston,	40,485	326,826.75	422,414.50
	"	Saco,	960	1,513	3,185
Merchants'	"	Salem,	155	584	1,357
	"	Roger Williams,	1,170	38,872	38,751
	"	Newport,	50	245	436
	"	New-Haven,	535	535	1,176
Phoenix	"	Hartford,	6,190	25,893	53,792
New-York State	"	Albany,	1,465	3,975	3,975
Mechs. and Farmers'	"	do.	825	1,085	1,085
	"	Utica,	2,435	10,305	10,305
	"	of Manhattan Com.	134,970	815,272	1,003,222
Branch	"	Utica,	825	7,900	7,900
	"	Pennsylvania,	166,940	196,717	200,698
Com. & Farmers'	"	Baltimore,	1,000	4,285	36,695
	"	Columbia,	200	3,090	6,325
		Dollars	364,040	1,459,351.75	1,789,435.50

Thomas Tudor Tucker's 1816 listing of Small Treasury Note deposits.

In 1816 the treasury was compelled to accept local currency in payment of duties and taxes; it was that or abandon hope of collecting the dues in any convertible medium. The bank notes were received and paid at par by consent so long as a bank would receive deposits and credit them to the treasury at par. Discounted notes were received by the banks only as a special deposit for safe-keeping -- a fund upon which the treasury could only occasionally draw.

In areas where discounted notes were available, the tax collector was sure to get the most depreciated of the lot. This was especially the case where some of the banks were preparing to resume specie payment; those banks had greatly reduced their circulation so there was not enough good paper available to cover all necessary transactions.

For some months after the war the treasury was short of local currency everywhere in the country except the District of Columbia and Baltimore. Collection of revenue later made local currency available in Philadelphia and still later at New York. Public funds were also accumulating in southern and western states but, as stated, it was not always available in the localities where it was needed. The treasury was forced to the choice of leaving the revenue in the hands of the local collectors or opening accounts in many more banks. The latter option was chosen and government money was spread among ninety-four banks from Maine to Louisiana. Because of the differences in value of the many local currencies and the minute calculations involved, the treasury was required to carry four separate accounts in each bank:

An account of cash, meaning (in the absence of coin) the local currency;

An account of special deposits of bank notes issued by banks other than the depository;

An account of special deposits of Treasury Notes bearing interest;

An account of deposits of Small Treasury Notes not bearing interest.

That policy was the final result produced by the treasury circular of November 25, 1814. [11]

The Treasurer's reports of Thomas Tudor Tucker in 1816 list banks holding treasury deposits during the last three quarters of 1815; more than eighty of those banks are named. Since Small Treasury Notes are listed separately from the other deposits, a tabulation is included in the chart opposite. [12]

It will be noted that banks holding deposits of Small Treasury Notes were concentrated in the Northeast. That was the area of their principal use. Banks in New England were forbidden by their charters to suspend specie payment under a penalty of 12 per cent a year, consequently they did not overextend their emission of bank notes. In fact, they restricted bank issues to a point where the banks accumulated vast reserves of specie, leaving Treasury Notes and notes of the Bank of New York as the principal circulating medium. Revenue from the area was collected almost exclusively in Treasury Notes.

Uses of the Small Notes

The Treasury Notes of denominations less than $100 and not bearing interest were a distinct type. They were smaller both in size and value, and accounting for them had to be kept separate from the earlier Treasury Notes. In a memorandum dated March 13, 1815, Secretary Dallas specifically designated that they "be called Small Treasury Notes," and prescribed the ways in which they were to be prepared and issued.

The notes were printed and signed in Philadelphia and sent to Jonathan Smith, cashier of the Bank of Pennsylvania, the agent there, and then to the Register of the Treasury for his countersignature. The notes were to be held by the register until being disposed of by order of the secretary of the treasury; while in the keeping of the register they were to be deposited in the bank in bundle, and not as money. The register was instructed to "Get a large strong trunk with a good lock and key and padlock for the purpose of depositing the notes for Countersignature in Bank (until you can get an iron chest) ." [13]

Whenever the Small Treasury Notes should be received by banks, either as original deposits, from circulation or deposits of loan commissioners, they were to be kept in separate accounts, and all drafts of the treasurer payable in Small Treasury Notes were to have that fact expressed on the face of the drafts. The balance of the memorandum was instructions for the accounting for the notes by the loan offices and regulations for funding the notes; the principal jist being to keep the accounts separate. [14]

In his reports for 1815 and 1816 the secretary listed the principal uses of the Small Treasury Notes, stating that the first use was generally limited to cases of peculiar urgency. In 1815 he named the disbursing agents and listed amounts totaling $1,465,069 for payment of the army preparatory to its reduction, $1,203,100 for payment of dividends on the public debt where local currency could not be obtained, and $109,681 for miscellaneous claims; plus of course, the amount sold for a premium. [15] In 1816 the principal uses were payments on account of the funded debt and compensation for members of Congress. Forty-six warrants authorizing the latter payments are in one set of records in the National Archives.

As a medium of exchange the Small Treasury Notes were an almost complete failure. A treasury notice on June 15, 1815, (less than three months after the date on the small notes) stated that arrangements were being made to establish a circulating medium throughout the nation, since it was clear that Treasury Notes fundable at 7 per cent could not be used for that purpose. [16] The method forseen was the establishment of another Bank of the United States to issue a uniform currency.

Several financiers, including David Parish, Stephen Girard and John

Jacob Astor, floated a plan to raise money in Europe, but felt that proposal would best be successful if the loan could be based on a new national bank; an impossibility at the time. Meanwhile the govenment limped along. In early 1814 citizens of New York and Pennsylvania petitioned Congress to establish a national bank. The suggestion was received favorably from such leaders as John C. Calhoun of South Carolina, but strict constructionist John W. Eppes of Virginia blocked any action in the House of Representatives. [17]

The unsettled conditions continued and discussion of the necessity for a bank went on confidentially in fiancial and governmental circles while Secretary Campbell drifted along broken in health and spirit.

In the fall of 1814 newly appointed Treasury Secretary Alexander Dallas proposed doubling taxes on carriages, liquor, auction sales and postage among other items. He said the issuance of more Treasury Notes might afford some relief "under favorable circumstances and to a limited extent." He insisted, however, the notes were "an expensive and precarious substitute either for coin or for bank notes, charged as they were with a growing interest, productive of no countervailing profit or emolument, and exposed to every breath of popular prejudice or alarm." [18]

Secretary Dallas proposed another modified plan for a national bank that was similar to the Bank of the United States but with more government participation in the management. His energetic promotion of the proposal gained broad suppport and passed in the Senate; but the House of Representatives rewrote the bill to such an extent that Dallas advised the President to veto the measure. He did. [19]

Repaying the Treasury Notes

In June, 1815, the currency was in a very disordered state, but the war was over and revenue from the direct tax was coming in. The most pressing obligation was the floating debt of the Treasury Notes. Payments had been deferred in Boston in 1814 for want of local money, and that condition reached other districts later. A schedule for payment was set up for the several districts on June 15, and available funds were assigned to the loan offices to pay the past-due notes. [20] In Philadelphia payments of Treasury Notes were delinquent from November 21, 1814. Payment was set to begin on August 1, 1815, with interest to cease on that date.

At Savannah, Georgia, $286,000 of notes were delinquent from April 1 and May 1, 1815, [21] and payment was to begin on September 1, with interest ending that day. In preparation for that event Treasury Secretary A. J. Dallas on August 7 requested that $300,000 in Small Treasury Notes be sent to James Marshall, cashier of the Planters Bank of Savannah, to be deposited in a special account. "They are intended to be employed for paying off, on the 1st. of September next, the Treasury Notes bearing interest, if other means for effecting that payment should fail." The notes were to be shipped in care of the Collector of Customs at Savannah. A note on the bottom of the letter indicates the $300,000 was sent on August 14. In another letter the same day (August 7) Dallas asked that $210,800 be placed in the bank in Savannah; a computation at the foot of that letter indicated that amount for Savannah and $149,668 for Augusta, for a total of $360,468. On August 9 Dallas authorized the $149,668 to be sent to Augusta. The final amounts were sent on August 14. Payment of delinquent Treasury Notes in Georgia was set to be made. [22]

But settlement did not come easily. R. Habersham, Collector of the Loan Office in Savannah, was unable to pay off the past due notes because the banks which held the bulk of them refused payment in $5 Treasury Notes. The state of finances is illustrated by the following letter:

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TREASURY DEPARTMENT,
JULY 29th, 1815.

SIR,

IT being desirable to cancel and take out of the way such Treasury Notes, the property of the United States, as cannot be again put in circulation, I beg leave to request, that, for effecting this object, you will transmit to the Treasurer such Treasury Notes, now deposited in your institution to his special credit, as have fallen due, with the exception of those payable at New-York or Boston.

The Notes ought to be accompanied by a schedule or descriptive list, with the interest computed and entered in it, to the time when it ceased to be payable. The charge in the Treasurer's account will be for the whole amount of principal and interest of the notes; and as this will always be a sum as much larger than that for which the bank originally gave credit to the Treasurer, when the Notes were deposited, as the amount of interest which accrued on the Notes while they were in possession of the bank, it will be necessary that this difference should be placed to the credit of the Treasurer in his account with the bank, as so much received for interest on Treasury Notes.

It will conduce to the convenience of the Treasurer, and probably to that of the bank also, if the Notes be arranged in the schedule in such way, that all those payable at the same place, be entered together; that those reimbursable at the earliest day, and of the lowest numbers, be first entered, and those with higher numbers and subsequently reimbursable, be made to follow in regular succession.

If Treasury Notes should hereafter accumulate in the bank, it will be proper that they should, in like manner, on the first day of every month, or of every quarter, be transmitted to the Treasurer, observing that such only are to be transmitted as have fallen due, and on which interest has ceased to be payable.

For your information I annex a note of the time or times when interest ceases to be payable on Treasury Notes now in circulation, in pursuance of the 7th section of the act of Congress of the 3d of March last, "to authorise a loan for a sum not exceeding 18,452,800 dollars," and of the public notifications from this department, founded thereon, of the 15th and 23d of June last.

I am, respectfully, Sir,
Your obedient servant,

A. J. Dallas

Secretary of the Treasury.

The Cashier of the
Branch Bank Pittsburg.

DAYS WHEN INTEREST CEASES TO BE PAYABLE ON TREASURY NOTES.

On Treasury Notes reimbursable at
BOSTON OR NEW-YORK, the interest will continue until funds shall hereafter be assigned for their reimbursement, and public notice thereof given by the Secretary of the Treasury.

On Treasury Notes reimbursable at
PHILADELPHIA, *before the 1st of August*, 1815, the interest ceases on the 1st of August, 1815. If reimbursable *on or after the 1st of August*, 1815, the interest ceases on the day when reimbursable.

On Treasury Notes reimbursable at
BALTIMORE OR WASHINGTON, *before the 1st day of July*, 1815, the interest ceases on the 1st day of July, 1815. If reimbursable *on or after the 1st of July*, 1815, the interest ceases on the day when reimbursable.

On Treasury Notes reimbursable at
RICHMOND OR CHARLESTON, the interest ceases on the day when reimbursable.

On Treasury Notes reimbursable at
SAVANNAH, the interest ceases on the 1st day of September, 1815.

July 29, 1815, letter from Treasury Secretary A.J. Dallas to a banker. (Heritage Auctions)

Loan Office Georgia
Savannah, Sept 1st. 1815

Secretary of Treasury
Sir

I have had the honor to receive your letter of the 21st Ulto--and also one of the same date from the Treasurer enclosing a draft on the Planters Bank, for three hundred thousand dollars, for the reimbursement of the Treasury notes which became due on the 1st of April & 1st of May last, on presenting the check at the Bank, the cashier informed me, that the directors had declined granting the loan on which this draft is predicated; I then in con-

The President's Column

Memphis in June—Ribs, Radars & Really Good Times!

I WAS WORRIED ABOUT HOW WELL THE ANNUAL International Paper Money Show in Memphis would fare this year, with all the ups and mostly downs of the economy, high gas prices, etc. I was concerned about how much disposable income some people would have for the hobby. But, as usual, I did not have a lot to be worried about. Once again, Memphis was a great show. Foot traffic did seem to be down and most dealers said while it was a good show for them, it was not a great show. But, it was still Memphis and that is all that needs to be said. Congratulations and thanks to Mike Crabb and the Memphis Coin Club for once again doing a fantastic job. I did not notice many of the usual dealers absent; except for those we lost this year and saw a number of new faces. Paper money in all types seemed to be out in abundance, with a lot of it TPG'd. Also as usual, exhibit chairman Martin Delger did a great job and there seemed to be as many and maybe more exhibits this year. They were fantastic and very intriguing. The best in show exhibit placed by Jerry Fochtman on Laban Heath's Microscopes was very well done and what a good exhibit should do in my opinion—be full of educational facts along with items to show. I also loved the exhibit on the baby bonds. To see pictures of the baby and other association items was a true pleasure. Great job and kudos to all the exhibitors.

The annual Tom Bain Raffle was great, but the breakfast before was certainly lacking. For that, I apologize and want to let you know that we are working on something different for next year. More to come. At the breakfast, we made two very deserving awards, the founders' award to Gene Hessler (also this years' ANA Farran Zerbe award winner) and the Nathan Gold award (lifetime achievement award) to Austin Sheheen. Congratulations and thank you to these two true gentlemen for all they have done for the Society. So, even on gloomy projections for a less than stellar show, Memphis held true to its legend and presented us with a great time and show once again!

I would like to take a moment to remember a great man and supporter of the SPMC. Former governor and President Roy Pennell, Jr passed away a few weeks before the show. Roy will be missed and remembered very fondly.

Benny

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formity with your letter required Small Treasury Notes fundable at seven per cent for the amount, which were handed me by the Cashier. The Planters Bank objected to receive Small Treasury notes, in payment and informed me that a letter had been addressed to you by the President of the Bank, offering to receive a new issue of Treasury notes bearing interest. The Agent of the Bank of Augusta, also refused to receive the Small Treasury Notes, Stating that his directions were to receive nothing in payment but specie or the Notes of the Bank of Augusta, and gave me to understand that had payment been offered in a check on the Planters Bank it would not have been accepted. Under the circumstances I must wait your further instructions, in the mean-time the Small Treasury Notes are lodged in the Planters Bank for Safe Keeping.

The Honorable
A. J. Dallas

I have the Honor to be Sir
With Great Respect Your
Obt Servt R. H. [Habersham] [23]

On the second of September both the Planters Bank and the Bank of Augusta refused to receive Small Treasury Notes fundable at 7 per cent for the Treasury Notes they held. The president of the Bank of Augusta asked for Treasury Notes of a type the Collector could not supply. The banker was under the impression the notes bore interest before they were funded into stock. [24] Habersham wrote to the secretary of the treasury for instructions. On October 6 the $300,000 of Small Treasury Notes contained in six packages of $50,000 each were returned to the Treasurer of the United States. One package was opened for inspection. [25]

Treasury Notes were delinquent only from April 1 at Washington, and payment was to begin immediately with interest ceasing on July 1. Thereafter all Treasury Notes payable at Washington were to be paid punctually, with interest ceasing the day they became payable.

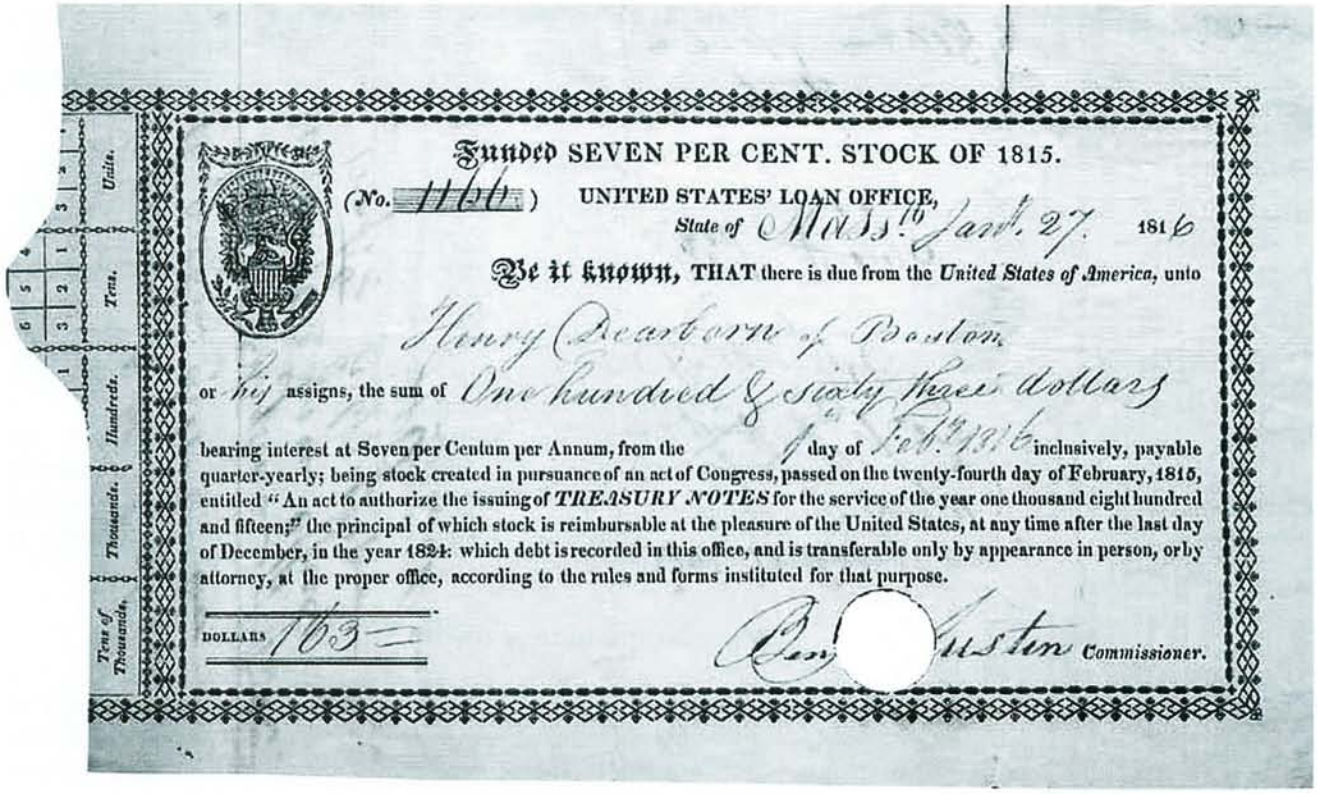
At Baltimore the notes were due only from June 1, and became payable immediately; with others to be paid as they came due. [26]

Current money was still not available at Boston and New York where notes were due from November 1 and December 1, 1814, to date, respectively. Holders were offered alternatives: They might subscribe to the $12,000,000 loan with $95 principal and interest in Treasury Notes bringing $100 of 6 per cent stock; or they might receive drafts on Philadelphia or Baltimore, where money was available for their claims; or they might exchange their old notes for the new Treasury Notes which were fundable at 6 per cent. From September 30 to early December more than $2 million was retired under this plan. [27]

With payment of the Treasury Notes arranged for, the government put pressure on the banks to honor their own notes. After August 1, all the receivers of public funds were forbidden to accept bank notes of any bank which did not, on demand, pay its own notes in gold and silver, and at the same time refused to receive, credit, re-issue and circulate U. S. Treasury Notes in the same manner as cash or its own bank notes.

Funds for redeeming Treasury Notes in New York were slow in coming, but they did accumulate. A treasury notice dated August 22, 1816, said that the notes which had become due in 1814 would be paid on October 1, and those which had fallen due in the first six months of 1815 were to be paid on November 1, and interest would cease on those dates. Money continued to accumulate in New York and on November 25 notice was given that the notes which were due and not covered in the August notice would be paid at any time before January 1, 1817, at which time interest would cease. [28]

In 1816 an inquiry was sent to the Savannah Loan Office to determine the amount of Treasury Notes to fall due there on September 1, preparatory to payment, and how payment would be received. The secretary was informed, on August 22, that the Planters Bank held about $190,000 and expected payment in



Funded Seven Per Cent Stock certificate, dated January 27, 1816. (ex-John J. Ford Collection, courtesy Stack's)

local currency. It was expected that by the due date deposits at the Planters Bank would be sufficient to cover payment to that bank. An answer had not yet been received from the Bank of Augusta. [29] Payment was delayed until December 6 when funds became available to pay all of the notes and notice was given that the Treasury Notes would be paid. Interest on all of the notes ceased on January 1, 1817. [30]

Notes dated from November 1, 1814, to March 11, 1816, totaling $1,550,300 were still unpaid on the books in Boston on February 5, 1817. The report stated that $406,000 of the $500,000 due on November 1, 1814, had been paid. However there was no record of the amount of Treasury Notes which had been funded into stocks or paid in for taxes, and Joseph Nourse, register of the treasury, added a note that "it is presumed only a small part thereof remains unpaid." [31] There is no record why the duplicate certificates required to be made when the notes were paid were not filed at Boston.

The Treasury Notes were retired as fast as possible in 1816, with any re-issue made only in cases of emergency. The necessity for their use had passed and on March 3, 1817, Congress approved an act repealing the power of the president to borrow money on the credit of the United states, or to prepare and issue Treasury Notes. The authority to reissue notes when received by the treasury was also revoked, and all notes received by the United States for any purpose were to be canceled and destroyed under such regulations and securities as the commissioners of the sinking fund and the president should establish.

Specie payment was nominally resumed in 1817, but inflation and mismanagement of the new Bank of the United States kept finances in turmoil and specie payment was again suspended in 1819.

In his history of the state of finances dated December 5, 1817, the secretary of the treasury stated that he thought any outstanding Treasury Notes, which had not been lost or destroyed, would be converted into funded debt rather than be paid into the treasury for duties or taxes since the stocks were considerably above par. The notes were redeemed, in one way or another, over a period of years. [32]

The amounts of Treasury Notes outstanding appear in the annual reports of the state of finances presented to Congress by the treasury department. The dates for the totals listed is usually about September 30, and the amounts are usually listed "by estimate:"

	1817	1818	1819	1820	1821
Small Treasury Notes	$ 69,594	$ 45,946	$ 10,961	$ 4,096	$ 3,075
Other Notes	566,369	251,560	170,860	23,560	25,420
	$635,963	$297,506	$181,821	$27,656	$28,495

The increase in the amount in 1821 resulted from correction of the amounts in the Branch at Washington and the Union Bank of New Hampshire, the difference being from interest being short estimated. [33]

At this point the notes are practically eliminated from the records. An Act relating to Treasury Notes approved May 3, 1822, reads: Be it enacted, "that, from and after the passage of this act, no treasury note shall be received in payment on the account of the United States, or paid, or funded, except at the treasury of the United States." [34]

Numismatics of the Small Notes

The Treasury Notes and Small Treasury Notes were printed in Philadelphia by Murray, Draper, Fairman & Co., America's pioneer bank note company. After printing, the notes were delivered to Jonathan Smith, cashier of the Bank of Pennsylvania, who had been appointed by the secretary of the treasury to prepare them for countersignature. That consisted of having them signed and numbered by several clerks under his supervision. The names of Samuel Clarke, Edward Fox, J. W. McNear and C. C. Biddle appear on notes seen.

After preparation in Philadelphia the notes were sent by mail to Joseph Nourse, register of the treasury in Washington for his countersignature. The countersignatures were attested by Michael Nourse and William Mackay of the office of pay and deposit, and the notes were bundled and turned over to Richard Smith "for safe keeping in the Iron Chest," until they should be issued.[35]

Early shipments were made in bundles of 300 sheets of four notes lettered a b c d to indicate the position of each note on the sheet. The first shipment arrived March 18, 1815; it consisted of $6,000 worth of $5 notes. The last of the 10,000 sheets of $5 notes were received in Washington on May 4. The first parcel of $10s was received March 24, and the last of the $10s on April 29.

The first 500 sheets of $50s, a b c d were recorded on April 19; and the last of the first 10,000 sheets on June 1. The first 1,000 sheets of $3 notes were entered on May 15, and the last on June 9. The first 500 sheets of $20 Small Treasury Notes were recorded on May 10, and the last of the first 10,000 on June 20. [36] A shipment of 300 sheets of $10s was sent from Philadelphia on March 28; the receipt was signed in Washington on March 30 and bore this notation:

> *The last packet came much injured from the rain. The packets were thrown in with the newspapers. Should they not be in with the letter mail? I hope I shall be able to keep them, without sending them back to be canceled, and others issued in their place. If they are continued to be sent with the Newspapers I would recommend, a parchment cover and done up to prevent the water injuring them. J. Nourse.* [37]

The notes were acceptable, countersigned and placed in bundle No. 11 and deposited with Richard Smith for safekeeping.

While shipments of countersigned notes for circulation were usually sent in care of collectors of customs as noted earlier, some shipments were sent by mail; at least to the distress of Henry S. Langdon, navy agent at Portsmouth, New Hampshire. On October 10, 1815, he asked for some notes under $20 to make change in paying off the rolls, and added, "I have also to request you would cover the remittance to me franked as the Post Master here refuses to receive the postage in notes but demands specie with which I am not furnished by the Government." [38]

Register Nourse must have been away from his office on April 17, l815, because on that day $10 Treasury Notes Nos. 3601 to 3900, a b c d, were sent to Thomas Tudor Tucker, treasurer, for countersignature. [39]

Apparently two panes of notes lettered a b c d were printed on each sheet of paper; and it appears they were cut apart in Washington because a postscript on a letter dated May 18 transmitting a shipment of $20 notes to the register reads: "P. S. Enclosed are two half sheets of Treasury Notes signed by Messrs. Clarke & Fox -- No. 5631 letters a b c & d, has 50 dolls. each. No. 1788 letters a b c & d 20 dollars each, which was recd in yours of the 16th inst.[40] Those notes had been shipped from Philadelphia unsigned and were returned for official signatures. From that time on several sheets were returned for Fox's signature and one for Mr. Clarke's. At least one $100 note got past the inspectors because on December 14, Amos Binney, navy agent at Boston, returned No. 4827a to Joseph Nourse for endorsement. [41]

By June 20, 10,000 sheets a b c d of each of the five denominations of Small Treasury Notes had been printed, for a total of $3,520,000. Of that amount, $2,320,400 had been countersigned.

No additional small notes were printed until January, 1816, when 6,500 sheets a b c d of $20s and 3,100 sheets a b c d of $50s were printed to meet increased needs. The final shipment of Small Treasury Notes was received in Washington on March 1, 1816. That brought the total to $4,660,000 of small notes printed, but of that amount only $3,392,994 was issued for circulation. The schedule follows:

	Received	Unissued	Issued		Total
of $ 3	40,000	25,132	14,868	@ 3	$ 44,606
5	40,000	11,825	27,176	@ 5	140,880
10	40,000	3,189	36,811	@ 10	368,110
20	66,000	44,000	22,000	@ 20	440,000
50	52,400	4,412	47,988	@ 50	2,399,400
	238,400	88,557	149,843		$3,392,994

The balance of $1,267,007 was canceled and returned to the treasury. [42]

A curious situation occurs in the $10 denomination of the Small Treasury Notes: There are two types but they are not differentiated in the letters of transmittal from Jonathan Smith in Philadelphia, or in the receipts in Washington. Type I $10 notes (like all the $5s) carry the legend, "Receivable everywhere by the United States in payment of duties taxes and public lands," in the panel at the right end of the note, and carry the letters a b c and d. On the Type II notes the text in the right panel has been replaced with a reverse logotype "TEN DOLLARS" like the one on the left panel, and the position letters are advanced to e f g and h.

Just when the change occurred has not been determined; but the first shipment of $10s was on March 24 and the last on April 29. The $50 notes which do not have the public lands text were first released on April 19. All letters of transmittal, receipts and tabulations found give the letters a b c and d for

Small Treasury Notes of all denominations; therefore the date of the design change is not recorded. No correspondence with the printer has been located.

The $5 Small Treasury Notes were the first to be prepared under the new law and the receivability statement was retained from the force of usage. It is likely the statement was not removed from the $5s because it was incorporated into the heading design. The change on the $10s was made soon after the plate was engraved; the alteration required a new printing plate and custom called for new position letters on that plate. The $3, $20 and $50 notes do not have the phrase; their plates were engraved after the decision was made to eliminate the receivability statement.

The text, "Receivable everywhere by the United States in payment of duties taxes & public lands," also appears on all $20 and $100 Treasury Notes through 1814. That statement gave some redemption quality to the notes that the old Continental Currency had not possed, and with which they had been compared. It also made the $20 and $100 notes more nearly currency than just interest-bearing bonds. While notes issued under the Act of February 24, 1815, were receivable for public dues, they were fundable into government stocks and had little likelihood of being turned in at face value for public lands.

It is impossible to tell, from the records at hand, whether or not the receivability of Treasury Notes for public lands increased the sales of those lands. But some trends of sale can be cited. Sales of public lands in 1805 and 1806 topped $1,000,000 each year. Perhaps because of the economic slump caused by the embargo of 1807, sales that year fell below $589,000 and continued to fall to about $421,000 in 1809-10. In 1814 public land sales topped $1.74 million, and reached more than $4,768,000 in 1817. Those are nominal prices, not actual receipts or the allowances for land reverted, but it does show a great increase in land sales after the introduction of Treasury Notes. [43] It is possible an examination of land office records would have some indication of the types of currency used for those purchases and a definite relationship established.

After Word

This study of the finances of the War of 1812 concentrates on the Small Treasury Notes and Treasury Notes rather than the loans and taxes because the notes were a novel expedient. Loans and taxes are tried and true methods of raising funds for governments; Congress and the people had a fear of paper money. The notes were made to bear interest and were not a legal tender -- both qualities which restrict circulation; the first because the value rises the longer the note is held and the second because no one is obligated to receive it.

The United States had no reserve of specie to redeem the notes and Congress enacted no special levies to repay them when they fell due. They were worth only the value people placed on them. In New England, where the banks held large amounts of gold and silver, Treasury Notes were at premium. Specie was at such a high premium, Treasury Notes could be bought at a small advance and used to pay taxes at an actual discount from coin. In the South and West Treasury Notes were discounted because there was little surplus specie and fewer debts to the government. Local currency was demanded in payment rather than Treasury Notes; and the government, too, was forced to pay in local bank notes, or interest-bearing notes, while accepting depreciated bank notes in payment.

Anecdotal material has been presented to explain more graphically the problems faced by both the government and the people when there was no viable, and reliable, money supply common to all the nation. The period of the War of 1812 was only one of several emergency periods caused by war or economic stress during which the treasury had to resort to Treasury Notes to pay

its immediate needs. The Civil War finally brought the federal government into the business of providing a national circulating medium of paper money. Interest-bearing notes were issued as late as 1865 and 1879. Some United States currency was discounted until 1879, when specie payment was resumed after the Civil War.

Many of the currency problems faced in 1815 and 1816 have been repeated, and some are reflected in modern monetary policy. The Small Treasury Notes were very much like present day currency: they were not convertible into money (gold or silver), bore no interest and were receivable in payment of taxes and dues to the government. The same is true of all current United States circulating paper money; but modern currency has one property feared by Congress in 1815 -- legal tender status. Creditors, then, were not required by law to receive Small Treasury Notes. Another fear of Congress, that unfunded notes would depreciate in value, was confirmed in 1963 when convertibility of modern notes was revoked. The 19th century Congress forestalled depreciation of its pioneer experiment in paper money -- the Small Treasury Notes were retired as rapidly as possible.

Notes to Part V

1. Seybert, pp. 752, 753.
2. Bayley, p. 135.
3. Knox, p. 37. *American State Papers*, p. 11.
4. Microcopy 235, Roll 249, frames 774, 775.
5. Seybert, pp. 752, 753, 747.
6. Bayley, p. 132.
7. Microcopy 235, Roll 249, frames 78, 82, 88.
8. Ibid., frames 106, 148, 256.
9. Ibid., frame 108.
10. A. J. Dallas, ms. letter to Rob. Brent, April 10, 1815, document in Forrest Daniel collection.
11. Annals, 14th Cong., 2nd Sess., 1816-1817, pp. 1138-1143.
12. Thomas Tudor Tucker, Treasurer of the United States, *Letter Transmitting His Accounts for 1816* (Washington, William A. Davis, 1817), pp. 23, 26, 27, 56, 78.
13. Microcopy 235, Roll 249, frame 39.
14. Ibid., frames 58, 59.
15. Annals, 14th Cong., 1st Sess., 1815-1816, p. 1624.
16. *American State Papers*, p. 9.
17. Raymond Walters, Jr., *Alexander James Dallas* (Philadelphia, 1943), p. 184.
18. Ibid., pp. 190, 191.
19. Idid., p. 195.
20. Finance, Vol. 3, p. 29.
21. Ibid., p. 81.
22. Microcopy 235, Roll 249, frames 783, 786, 788.
23. Letter Book, U. S. Loan Office, Savannah, Ga., 2810-1817, Vol. 1304, National Archives.
24. Ibid.
25. Ibid.
26. Finance, Vol. 3, p. 29.
27. Ibid. p. 12.
28. Ibid., p. 179.
29. Letter Book, op. cit.
30. Finance, Vol. 3, p. 180.
31. Ibid.
32. *American State Papers*, p. 222.

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SPMC Website	58
Tom Denly	19
Paper Money Values ad	14
Frank Clark	12
Judith Murphy	09
Rob Kravitz	07
Wendell Wolka	07
BNR Ad	05
Lowell Horwedel	04
Robert Moon	02
Greg Culpepper	01
Allen Mincho	01
Michael Moczalla	01
Bob Schreiner	01
Total	290

This number includes new members, reinstatements, and people who originally join as life members.

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American Numismatic Rarities
Bryn Korn
Larry Adams
Rob Kravitz
Andrew Korn
Lowell Horwedel
Fred Reed
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Jason Bradford
Arri Jacob
Jack Levi
Benny Bolin
Judith Murphy
Allen Mincho
David W. Moore
Wendell Wolka
Mark Anderson
D. Schafluetzel
John Wilson

❖

33. Finance, vol. 3, pp. 229, 281, 436, 558, 690.
34. Huntington & Mawhinney, p, 106.
35. Microcopy 235, Roll 249, frames 39, 412.
36. Ibid., frames 315-319.
37. Ibid., frame 356.
38. Ibid., frame 132.
39. Ibid., frame 402.
40. Ibid., frame 520.
41. Ibid., frame 202.
42. Ibid., frame 319.
43. Seybert, pp. 364, 365.

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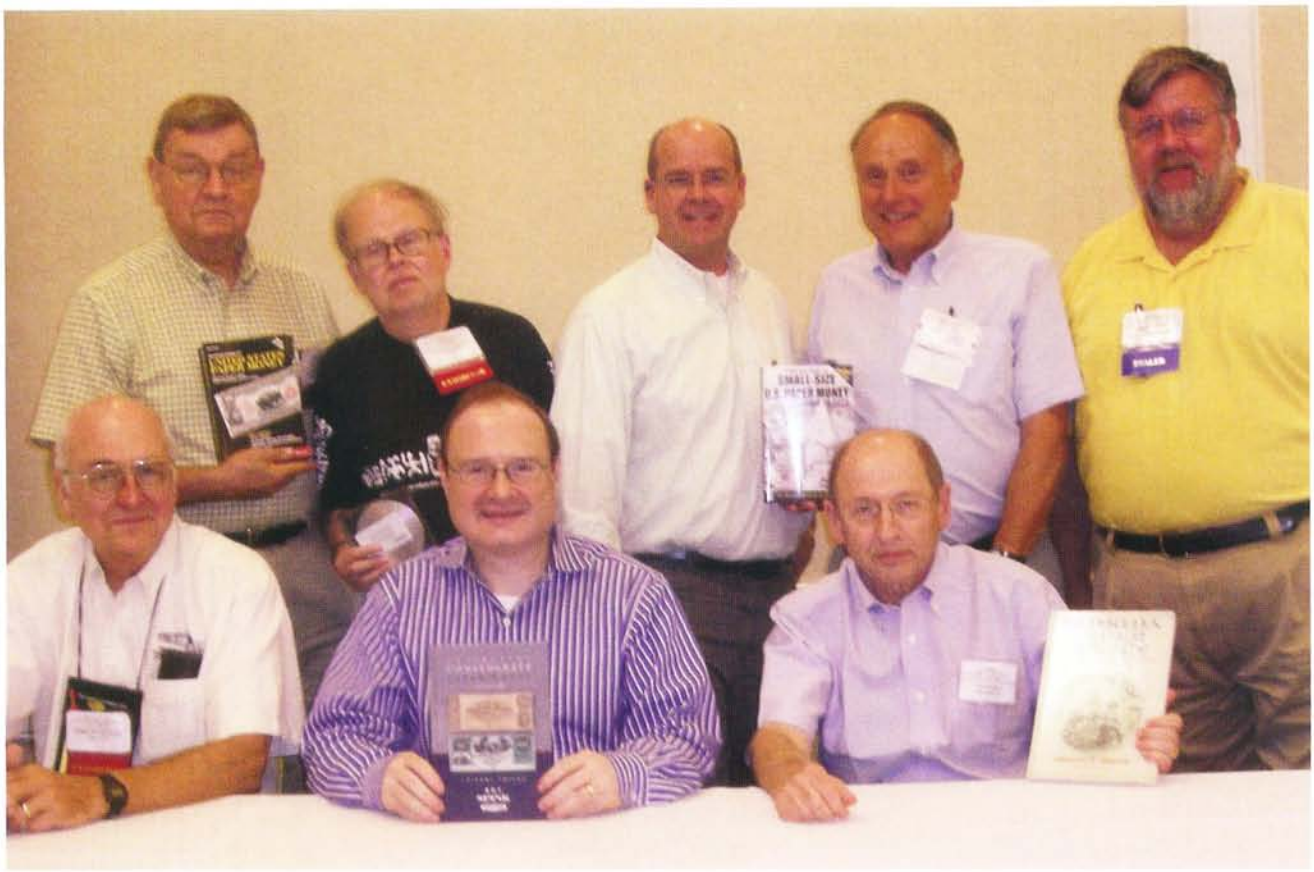

Authors present new works at Fifth SPMC Authors Forum

5th Annual Memphis Authors Forum moderator Wendell Wolka (back row at right), a decorated author in his own right, presented a fine group of learned researchers and pensmen to an assembled audience and Benny Bolin's camera lens. Clockwise from top left: Bill Brandimore, Carlson Chambliss, Scott Lindquist, John Schwartz, Wolka, Ron Benice, Pierre Fricke and Dennis Schafluetzel.

FOR THE FIFTH TIME IN AS MANY YEARS, SPMC'S INNOVATIVE Authors Forum provided a handful of authors the opportunity to hook potential readers on the fruits of their labors, while also providing several dozen attendees the opportunity to rub shoulders and glean from the authors' experiences to help them with their own writing projects.

The field included:

Bill Brandimore, co-author of the 26th edition of *Standard Catalog of United States Paper Money*, Krause Publication's compendium and pricing authority on the U.S. series.

Carlson Chambliss, co-author of the *Comprehensive Catalog of U.S. Paper Money*, 7th ed., unveiled a CD version of BNR Press' most recent edition of that scholarly work.

Co-authors John Schwartz and Scott Lindquist described their work on *The Standard Guide to Small Size U.S. Paper*, another popular Krause Publications title.

Ron Benice told how he conceived and developed his award-winning *Florida Paper Money: An Illustrated History 1817-1934*, which was published last year by McFarland Publishing.

Confederate note authority Pierre Fricke unveiled his *Collecting Confederate Paper Money: Field Edition* (Spink-Smythe), which follows up the great success of his earlier CSA note catalog, also published by the firm.

Co-author Dennis Schafluetzel told about his research with fellow Tennesseean Tom Carson on their online catalog of the state's merchant scrip, which interactively features hundreds of full color illustrations.

So make your plans to attend to next year's SPMC Authors Forum. We'll assemble another good bunch for your education and edification! ❖

An Invitation from

The NEW HAMPSHIRE CURRENCY STUDY Project

Q. DAVID BOWERS and **DAVID M. SUNDMAN** are involved in a long-term project to describe the history of all currency issued in the State of New Hampshire, as well as to compile a detailed registry of all known notes (whether for sale or not). Our area of interest ranges from early colonial times through the Revolutionary era, the state-chartered bank years (1792-1866), and the era of National Banks (1863-1935). This will result in a book under the imprimatur of the Society of Paper Money Collectors, with help from the New Hampshire Historical Society, the Smithsonian Institution, and others.

Apart from the above, David M. Sundman is president of Littleton Coin Company and Q. David Bowers is a principal of American Numismatic Rarities, LLC, and both advertisers in the present book. For other commercial transactions and business, refer to those advertisements.

The authors of the present book, holding a rare Series of 1902 $10 National Bank Note from West Derry, New Hampshire.

A typical NH Obsolete Note, this from the Winchester Bank.

A Series of 1882 $10 Brown Back from the Winchester National Bank.

This same building was used for the Winchester Bank and its successor, the Winchester National Bank.

Teller window circa 1910, Winchester National Bank

If you have New Hampshire currency or old records or correspondence relating to the same, or other items of historical interest, please contact us. In addition, Bowers and Sundman are avid collectors of these bills and welcome contact from anyone having items for sale. We will pay strong prices for any items we need!

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More Photo highlights from Memphis

Above: John Jackson, holding his Julian Blanchard Award for the outstanding exhibit at Memphis of proofs and essays, poses with longtime exhibits chairman Mart Delger.

At right, President Benny Bolin presents Larry Schuffman his SPMC Award of Merit.

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FCCB celebrates 25 years

THE FRACTIONAL CURRENCY COLLECTOR'S Board celebrated its 25th anniversary at Memphis, where the club began in June, 1983. Founding members included Martin Delger, Rocky Rockholt, Al Vonk, John and Nancy Wilson, Tom Flynn, Don Kagin, Dr. Wally Lee, Wayne Liechty, Milt Friedberg, Mike and Victor Marchioni, Doug Hales, Len and Jean Glazer, Martin Gengerke, Vernon Oswald, Tom Denly and Nick York.

To celebrate the club offered a commemorative sheet with facsimiles of 25c 2nd Issue note faces. The sheet, depicting 16 notes, came in two forms: perforated and imperforated, just like the originals. The reverse features anniversary details. Sheets are also still available to non-club members by contacting Jerry Fochtman at jfochtman@bradmark.com, or by calling 281/361-8948 evenings. Prices are $8 for the imperforated sheet and $10 for the perforated sheet plus postage and a mailing tube.

In addition to celebrating the club's anniversary, the members that were present voted to offer a Lifetime Membership for a single payment of $200. Response for the lifetime membership was strong, with many long-time active members signing-up at the conclusion of the club's annual meeting. Anyone interested in becoming a member of FCCB is encouraged to contact Bill Brandimore, at billb3883@verizon.net. ❖

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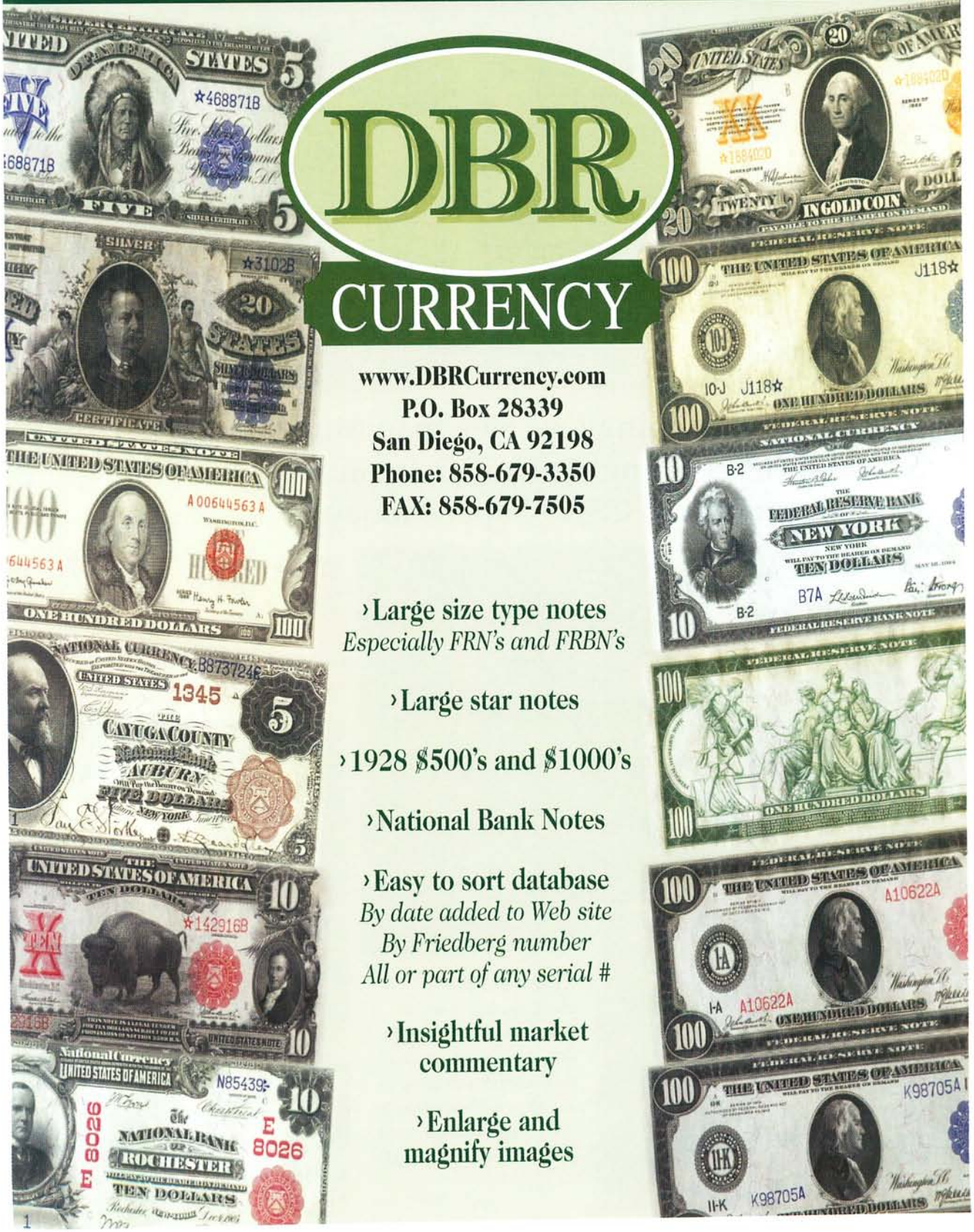

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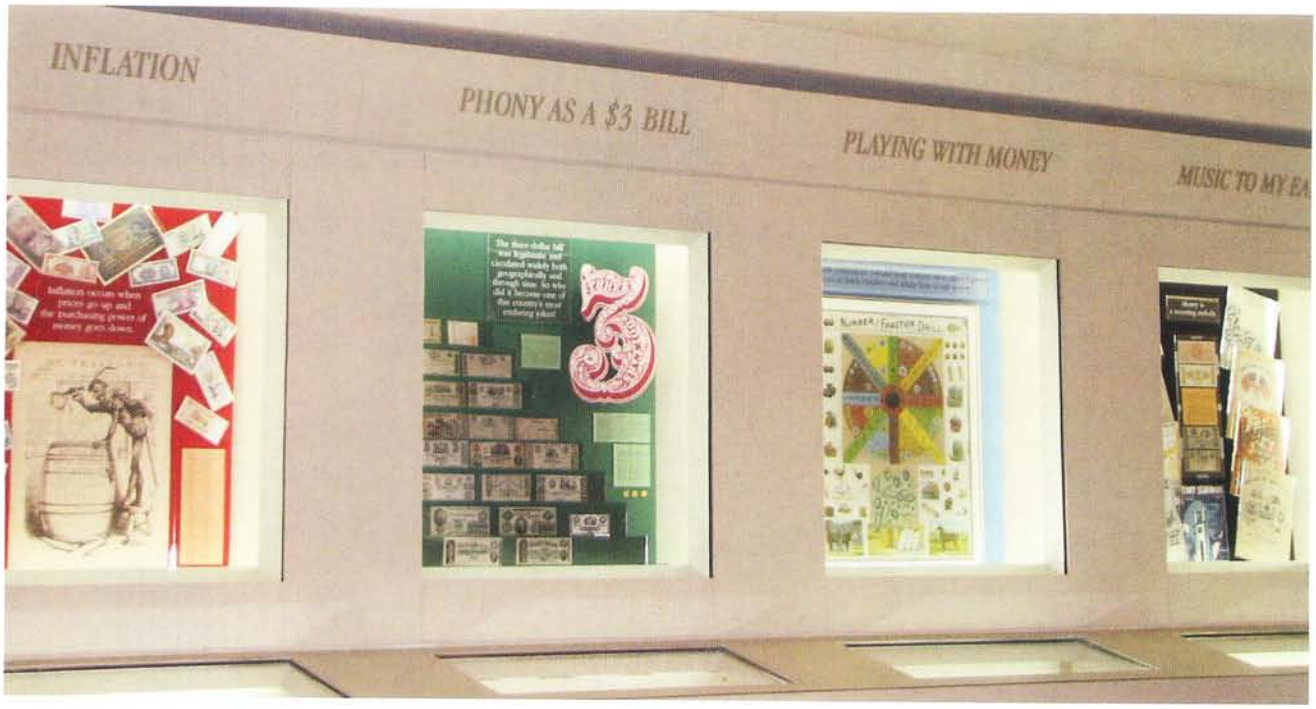
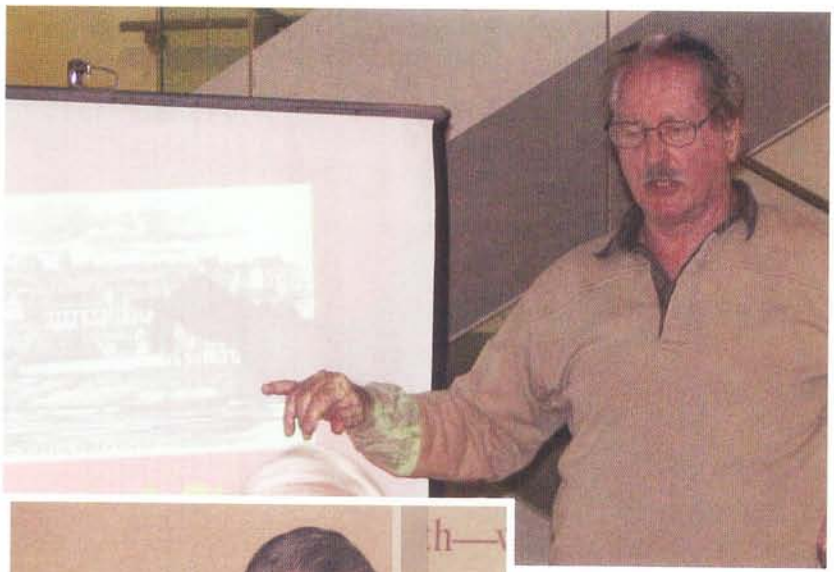
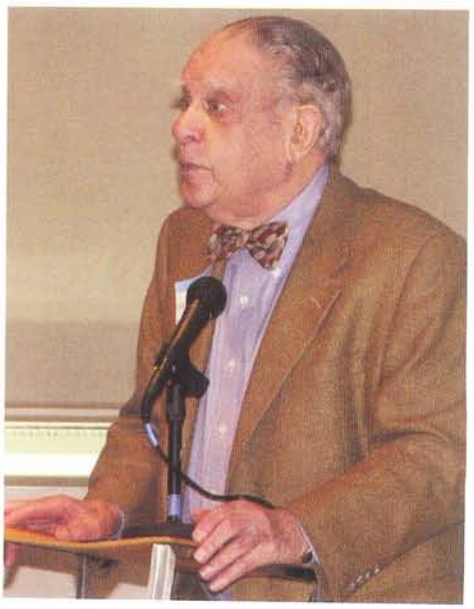


Stunning Eric Newman Museum at Washington University in St. Louis plays host to CSNS Paper Money Symposium

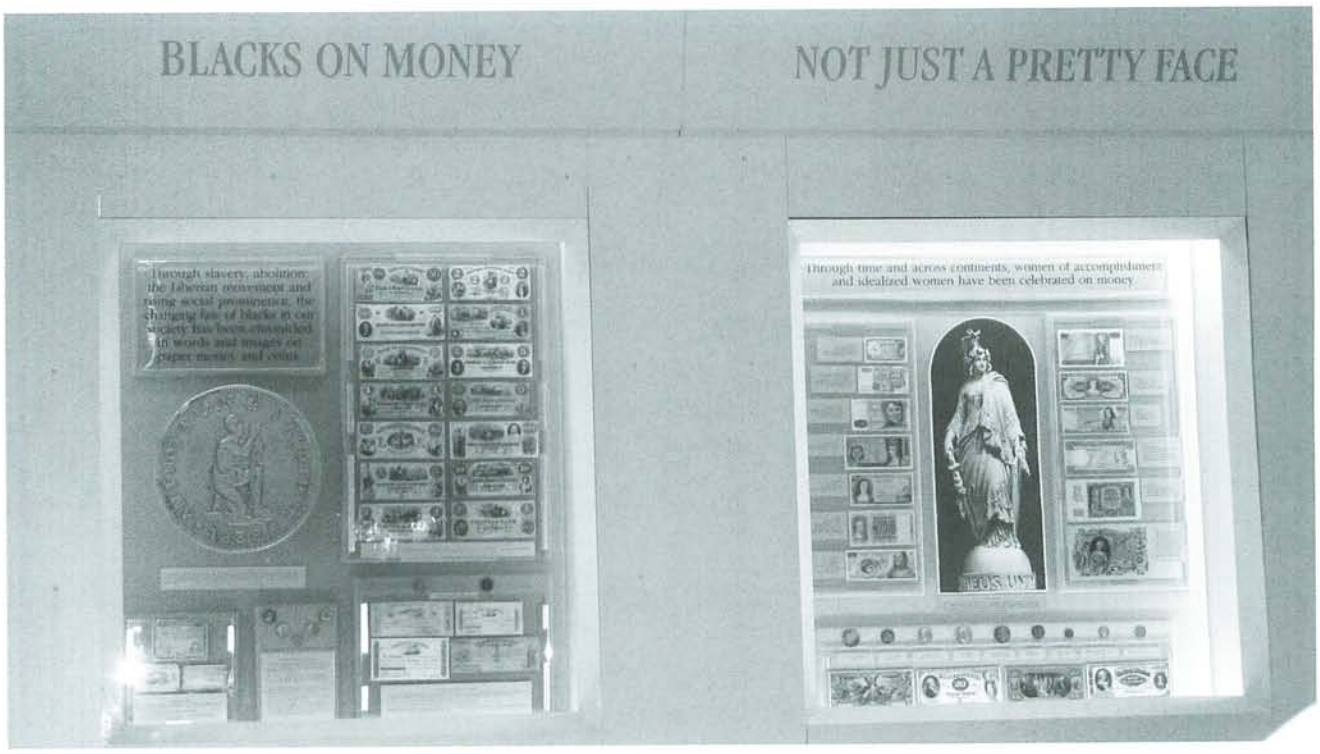


A pair of past SPMC Presidents, Ron Horstman (above) and Wendell Wolka (left) share salient aspects of their research with forum attendees, while Ben Franklin (the museum's mascot) peers over Dubya Dubya's shoulder.

(For additional details on the forum, see *Paper Money*, May June p. 236)
Photos by Frances G. Lockwood



Host with the most, the inimitable Eric P. Newman, himself.



Clockwise from above left Peter Huntoon, Ray Lockwood, Joe Boling, Dave Grant, and nattily attired past SPMC President Bob Cochran put their news and views on the line for the benefit of conference attendees.

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SPMC Awards

Presented at Memphis IPMS 2008

THE SOCIETY CONGRATULATES WINNERS of its annual awards presented at the recent Memphis Paper Money Show. They are:

- Nathan Gold Lifetime Achievement Award presented to Austin Sheheen
- SPMC Founders Award presented to Gene Hessler
- Nathan Goldstein Award for recruiting presented to Jason Bradford
- Forrest Daniel Award for Literary Excellence presented to Gene Hessler
- Dr. Glenn Jackson Award for best article of essays, proofs and similar items presented to Mark Tomasko for "Notes on Bank Note Engravers & Artist Attributions" (*Paper Money*, March/April)
- D.C. Wismer Award for best book of the year presented to Hugh Shull for *A Guide Book of Southern States Currency, History, Rarity and Values* (Whitman, 2007)
- Literary Awards of Merit presented to Ronald Bernice for *Florida Paper Money, An Illustrated History 1817-1934* (McFarland, 2007), and George Tremmel for *A Guide Book of Counterfeit Confederate Currency* (Whitman, 2007)
- Awards of Merit present to Stack's, and Larry Schuffman
- Literary Awards (for best articles in *Paper Money* during the previous year) presented:
  Federal Currency category to Dr. Clifford Thies for "Murder and Inflation: The Kentucky Tragedy (Nov/Dec)
  National Bank Notes category to Peter Huntoon, Doug Walcutt & Robert Kvederas for "$5 Series of 1882 Circus Poster National Bank Notes" (May/June)
  Obsolete Notes category to Terry Bryan for "Art & Commerce Intersect: The Bank Note Vignettes of Felix Octavius Carr Darley" (March/April)
  Small Size U.S. category Barbara Bither for "The Stylish Secretary" (Jan/Feb)
  Foreign Paper Money category to Dr. Harold Don Allen for "Final Decade of Canadian Chartered Bank Circulation" (Nov/Dec)
- Exhibit Awards for displays at Memphis present to:
  Best in show to Jerry Fotchman for "Heath's Counterfeit Detector Microscopes"
  Honorable Mention present to:
  Weldon Burson for "Banknotes of Mali"
  Larry Schuffman for "The Liberty Loan Bonds of WWI and It's Aftermath"
  Julian Blanchard Award for proofs, essays, etc. to John Jackson for "Jocelyn, Draper, Welsh & Co." ❖

SPMC acknowledges its 2007-2008 donors

THE SOCIETY OF PAPER MONEY COLLECTORS is a 501 (c) 3 not-for-profit historical and educational organization, recognized by the Internal Revenue Service. All donations to SPMC are tax-deductible. Each year our annual dues envelope includes a check off box, whereby members can make donations to SPMC to support worthwhile activities. These donations may be allocated to the George W. Wait Memorial Fund, which makes grants for publication of book length projects, such as Forrest Daniel's treatise on the small Treasury Notes of The War of 1812, which appears in this issue; or the D.C. Wismer Memorial Fund, which facilitates publication of obsolete currency books; or undesignated gifts to the Society's General Fund.

With membership dues revenues and advertising revenues down for the year, this would be a good time for all members to consider giving a tax-deductible donation to SPMC. Donations to the Wait Fund totalled $453 in 2007-2008. Gifts to the Wismer Fund during the same period were $487.

We thank and recognize those generous benefactors who have done so in the past year. They include:

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Society of Paper Money Collectors
2008 Board of Governors Meeting
Memphis, TN

Meeting date: June 28, 2008

Present: Benny Bolin, Mark Anderson, Frank Clark, Rob Kravitz, Gene Hessler, Bob Moon, Judith Murphy, Jeff Brueggeman, Wendell Wolka, Robert Vandevender, Pierre Fricke, Neal Shafer

Not present: Jamie Yakes, Tom Minerly, Bob Cochran, Matt Jantzen, Fred Reed

Guests: Peter Symes for brief comments – see below

Call to order and Determination of Quorum: The meeting was presided over by President Benny Bolin and began at 7:55 a.m.

Minutes of Last Meeting:
The minutes from the June 2007 Memphis and November 2007 St. Louis meetings were approved with corrections as amended.

Election:
There is no contest to the election this year. Governors Jamie Yakes and Bob Cochran are up for re-election. In the absence of the secretary, VP Anderson cast one vote for the two candidates and both were elected as presented. President Bolin then appointed Pierre Fricke and Neal Shafer as governors for three-year terms. Their appointments were accepted by the board. New members Fricke and Shafer were welcomed to the board. President Bolin publicly thanked outgoing governors Hessler and Minerly. He presented Mr. Hessler with Maverick card #3 for his service and will send a like card to Mr. Minerly.

Membership Report:
Frank Clark had previously sent out his report. Jason Bradford was the Nathan Goldstein award winner with around 150 new members. With Mr. Bradford's efforts, we had 290 new members this year plus already three at the show. Mr. Clark also reported that he had enough membership cards for two more years, but that he was investigating options for more when needed.

Memberships as Incentives:
The question of allowing companies to give memberships as incentives to use their product, buy from them or join their club was again raised. The discussion centered on the potential perception of endorsement of same by the society. It was decided to have the editor put a two-line statement on the masthead of Paper Money that the society does not endorse any company, dealer, auction house, etc. A discussion also occurred about how many of these new members stay for greater than one year. It was decided to ask the secretary for a report at the 2009 meeting detailing one year members who do not renew and general tenure of all members.

Treasurer's Report:
Treasurer Moon gave a short update on the finances of the Society. Due to the fiscal year ending on Monday of the next week, a detailed report will be sent out after that. He stated that year to date, expenses have exceeded revenue by about $12,000. This is primarily due to the time of year and virtually the only income we have is from some ads and some new members. However, through March, we were ahead of last year by about $7,000. A word of caution was given that in the coming months/years, interest income will drop. Mr. Moon was also concerned about ad revenue. It has decreased for a myriad of reasons, some of which are unavoidable as the economy has caused some companies to re-think and re-prioritize their advertising strategy. Mr. Moon implored the members to send him checks and bills ASAP so he can pay/deposit them within 48 hrs of receipt. A discussion about the structure of our ad management process was held and it was decided to try to have the ad manager, Governor Wolka, responsible for sending out invoices and receiving checks for ad revenue. He will then send Editor Reed a list of who has paid for ads. This changeover will occur this year. Mr. Moon also reported on additional follow ups regarding the Society's non-profit status. We had within the last year learned of a lapse, unbeknownst to us, in required reporting/filings by DC NFP organizations. An outside agent, on retainer to provide these services, left the field in 2004 and did not notify anyone at the Society. Treasurer Moon worked with the appropriate people to get this rectified, all required filings and fees have been taken care of, and all is well now. Due to the problems, he will be devising a new process flow for use in the future to ensure this does not happen again. Mr. Moon told the group he would be sending out a tax form to use when buying for the society in order to not pay sales tax.

Audit Committee:
Mark Anderson reported that based on the coming close of the fiscal year, it makes sense for any audit process to occur after 6/30/08, with an official audit report to be provided at the fall, 2008 St. Louis meeting. He intends a high level analysis only and will do a "deep dive" if problems are identified. He noted that with the departure of Governor Yakes, the Audit Committee is a committee of one and invited anyone who wants to help to let him know.

Grant Committee Report:
Committee Chairman Ron Horstmann submitted a report on the current grant recipients.

Editor/Publisher Report:
Editor Fred Reed sent his report out electronically before the meeting. No questions or concerns were noted, although observations and opinions on the journal's ad and editorial content were provided by Board members.

Regional Meetings Report:
Judith Murphy reported that the regional meetings have been going well. We will have a table at the ANA convention and a program. We will also be present at the Whitman Show in Atlanta in August and the Blue Ridge and South Carolina upcoming shows.

Bain Breakfast Report:
Treasurer Moon gave a report on the breakfast and raffle. The raffle netted the society $1,021.00. We had 86 paid peo-

ple at the breakfast. With the changes in the billing by the Marriott, we stand to make a small profit. A long discussion was held as to the future of the breakfast. Many menu and service issues complaints were noted and the price is exceeding good use of revenue by the society and its members. Ms. Murphy is investigating the use of the Sheraton for next year's breakfast and raffle. Currently this looks like a very good and viable option. She will get more information and letters of confirmation and report at St. Louis. (**note**: President Bolin raised the question of the use of the Crown Plaza at the general membership meeting and a near unanimous yes was received from the attendees).

Liana Grant Update:
Gene Hessler gave an update on the Liana Grant. To date he has sent copies of *The Engraver's Line* and *The International Engraver's Line* to more than 80 libraries and institutions and he anticipates, eventually, reaching between 98-100.

By-laws:
Mark Anderson stated that he has not gotten any feedback on the redline version of the by-laws that he sent out. For the benefit of the new board members, he will re-send them and asks for input by 8/1 at which time there will be an electronic vote on acceptance.

Directors & Officers Insurance:
The current D&O insurance is valid through the end of August. Treasurer Moon is waiting for FY financials to be finalized to complete the new application and renew.

Get Well Card:
A get-well card was passed around for all to sign for Governor Minerly. Mr. Moon will ensure he gets it.

IBNS President:
At this point in the meeting, per previous invitation, Peter Symes, recently installed as the new President of the International Banknote Society, arrived, and was introduced by Mr. Anderson. Mr. Symes is well known to Governors Shafer and Wolka, who sit on the IBNS Board, and he addressed the group about the IBNS and his observations that the two groups have shared opportunities and challenges. He noted his wishes for us to work together. More investigation will be done with Mr. Symes and Mr. Anderson. It was noted that in 2011, both the SPMC and the IBNS will have their 50th anniversary.

2009 Election:
President Bolin encouraged all present to be thinking about qualified people to run for the 2009 board. Of the four incumbents up for re-election, at least two will probably not run, so new candidates will be needed.

Next Meeting:
The group was reminded that the next SPMC board meeting will be in St. Louis at the PCDA show and that the date has changed to mid-October.

Adjournment:
President Bolin adjourned the meeting at 9:40 a.m. ❖

2008 Treasurer's Report

SPMC ended its Fiscal Year on a positive note. The General Fund closed out the year with a balance of $99,617.36 which was $7,000 over last year's balance. Interest income for the year amounted to just over $10,000. We even showed a small profit on our Memphis Breakfast this year. There are a few cautionary notes for the coming year, however. With interest rates dropping, we will not realize that amount of interest income next year. Also, revenues from advertising and dues renewals did not reach last year's level. While we are currently in good shape financially, we must do what we can to reverse these trends to remain on a sound footing. Of course, expenses will continue to be closely monitored. ❖

2008 Editor's Report

This will be short and sweet. It won't take five minutes to read. The magazine is in good shape, although we lost some advertisers this year. On the flip side, the July/August issue which is supposed to be mailed tomorrow or Tuesday is full color on both the outside and inside covers, thanks to Spink-Smythe which upgraded their ads from B&W to full color.

Our coffers are full of manuscripts. I have been working on and off on Forrest Daniel's War of 1812 manuscript for several years since he was no longer able to assist. Forrest wanted to see it published, even though he was disabled for a long period before he died. I think publishing it (after all it won our Wait award) will be a good memorial to his memory. I hope to have it ready for the Sept/Oct issue. We'll see. If not Sept/Oct we'll see it eventually. Our fifth annual author's forum is Friday at noon-2 p.m. We have a great group of authors talking about their books once again. I urge you to attend. Coin & Currency Inc. has supplied free books again. And Spink-Smythe has supplied free refreshments. Although I won't be there, the affair is in good hands with Messrs. Bolin and Wolka.

We added an additional location to our mailing permit. We received several conflicting directions, but eventually a decent human being with knowledge and rank assisted us in fixing the conflicting rulings we were getting repeatedly. But again that is settled now.

Next issue we are running donors' acknowledgements, which is the same issue the dues notice goes out in by design-with a check off for donations.

This year we developed a significant working relationship with additional folks at the BEP, which is showing fruits in our magazines. The taxpayers are paying for historians to sift through Treasury records and ledgers and these contract employees and the BEP itself are overjoyed to be able to see their hard work in a publication such as *Paper Money*.

I have three commitments for next year's author's forum, and big time issues coming up including Larry Schuffman's research on bonds. What we could use -- as always -- is short articles about anything, and more articles about modern U.S. currency. Mr. Yakes and Mr. Huntoon are doing their best, but we need more authors for that genre.

BTW -- Pete Huntoon's article on WWII currency was as good as anything *Paper Money* has ever published, and got lots of good comments as it should.

Respectfully submitted, Fred Reed
Editor/Publisher *Paper Money* ❖

Hospitality Room Networking

ONE OF THE GREATEST PLEASURES I GET OUT of paper money collecting is the people and friends I've met and made along the way. Sadly, many of them are no longer with us. I used to look forward to Memphis for two principal reasons: first meeting with old friends from the hobby and second for possibly finding a note or two to add to my collection. It was a rare event to find any notes, but I could always count on meeting old friends there.

At my first Memphis convention in 1980 I met people that I had only corresponded with or knew of through various publications. All the big names were there. Amon Carter, Grover Criswell, Dr. John Muscalus, Eric Newman, John Hickman, Dean Oakes, Peter Huntoon, Bill Donlon, Aubrey Bebee, Joe Kinney, Chuck O'Donnell, Neil Schafer, Art Kagin; New England friends John Ferreri, Roger Durand, Roland Cormier, Dick Balbaton and Frank Bennett, Roy Pennell, Gene Hessler, Neil Schafer, Lyn Knight, Hugh Shull, Tom Denly, Wendel Wolka, Bob Cochran, Austin Sheheen, Paul Garland and many others were all gentlemen who were glad to share information and friendship.

Mr. Roy Pennell invited me up to a hospitality room that had been set up for collectors to socialize and discuss/buy/sell notes. I showed him some Kansas Nationals and he was most complimentary, even though the notes were not all that special. And he showed me some great Kansas obsolete material, including a face proof sheet of notes on the Kansas State Savings Bank of Wyandotte. Following the show he mailed me copies of the sheet. Whatever happened to those hospitality rooms? They were a good idea that I'd like to see come back.

It occurs to me...
Steve Whitfield

After returning home there was always follow-up correspondence that needed doing. That was always an extra special aspect of Memphis. Information shared and publicized; new note discoveries, data for the researchers and census takers. Long distance friendships resulted as letters were exchanged before the next Memphis show. One of my principal correspondent friends then was Mr. James Lindsay of Fort Lauderdale, Florida. He would write long letters with information about new Kansas acquisitions or questions about issuers, locations or Kansas history in general. I got to visit him once when I attended an ANA Convention in Bal Harbor in the early 1970s. I rented a car and drove up to his house. He had taken his Kansas material out of the bank vault so I could examine it. First Charter Kansas Nationals (26 as I recall), brownbacks, red seals and rare obsolete notes in abundance. Years later I finally was able to obtain his Lawrence Nationals, but I really missed our correspondence.

So I encourage fellow collectors to get to know the people who collect what you do. Establish communication with them to maximize your enjoyment of the paper money hobby. That said, who wants to talk about Kansas? ❖

The Editor's Notebook

Fred L. Reed III
fred@spmc.org

A tale of two manuscripts

MANY EDITORS STICK THEIR COLUMNS UP front and attempt to tantalize the heck out of readers with a preview of the following pages. Frankly, I've always thought that pandering was a waste of space. But this time, we'll spend some "Back Page" space discussing two very exceptional manuscripts that I've had the pleasure to work with in recent years. They both were very learned, long and about the small Treasury Notes of the War of 1812, the first United States Currency of the 19th Century.

Many of you will remember, we published Dr. Donald Kagin's excellent work on this subject in our Sept/Oct 2005 issue. Don's paper was based on his earlier work at the graduate level, about which he teased all of us at a Memphis breakfast presentation. After publication in these pages, Don won the NLG award for "Best Magazine Article," very richly deserved. Then he gave a more formal presentation on the topic at a Memphis SPMC membership meeting, including a display of a great many rare notes of that genre. If you missed it, you missed out big time. Fortunate are those who still retain our Sept/Oct 2005 issue with the fruits of Don's labor.

In that same magazine three years ago, I mentioned another manuscript on War of 1812 notes that had been authored by SPMC Charter Member Forrest Daniel, which we also hoped to publish in the near future. As judge of the Wait competition, I can attest that Forrest had done a bang up job on this topic too. Unfortunately, misfortune plagued our presentation of Forrest's research in *Paper Money* until the present. Hurdles included the loss of the original manuscript by a party to whom Forrest had sent it for evaluation; the redrafting of the paper and having it typed by a contract typist with no numismatic background who changed things, altered footnotes, even arrangement of the copy, thoroughly frustratrating Forrest; and ultimately by his untimely demise in 2006.

Before Forrest died, we exchanged a good many letters attempting to wrangle the project back into the state I originally saw it. Forrest was particularly keen in having it published and represented on the shelves of the local library and historical society as a work of a "home grown" Dakota author. With Forrest's demise, publication looked bleak because he was no longer available to assist. Also, his art (he had assembled many original documents concerning these notes) were dispersed leaving only poor photocopies to work with. Fortunately, good people at Heritage Auctions and Stack's, Charles Kemp, Ron Horstman, Gene Hessler and Eric Newman furnished wonderful replacements. I've worked on this on and off now for six years; I hope, friend Forrest, you are at length pleased with your result! ❖

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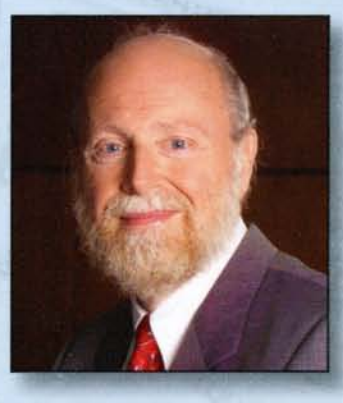

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